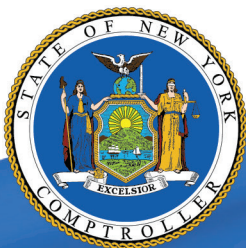


Rutland Fire District

Board Oversight

FEBRUARY 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Rutland Fire District

Audit Objective

Determine whether the Board provided adequate oversight of District financial operations.

Key Findings

- The Board did not review the Treasurer's monthly reports including budget-to-actual reports, trial balances and compare bank reconciliations with bank statements and canceled check images.
- The Board did not audit all claims before payment.
- The Board did not annually audit the Treasurer's books and records.

Key Recommendations

- Provide oversight of the Treasurer's duties throughout the year, including a periodic review of financial reports, bank statements and supporting documentation.
- Audit and approve all claims before payment.
- Annually audit the Treasurer's records.

Except as specified in Appendix A, District officials generally agreed with our findings and indicated they planned to initiate corrective action. Appendix B includes our comment on the issue raised in the Fire District's response letter.

Background

The Rutland Fire District (District) is a district corporation of the State, separate from the Town of Rutland in Jefferson County. The District provides fire protection and emergency rescue services to approximately 3,060 residents over 45 square miles.

The District is governed by a Board of Fire Commissioners (Board) composed of five elected members who are responsible for the District's overall financial management. The Board appoints a Treasurer-Secretary (Treasurer) who acts as the District's chief fiscal officer and is responsible for the receipt and custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements.

Quick Facts

Members	55
2017 Budget Appropriations	\$246,224
2016 General Fund Disbursements	\$199,595
2016 Deposits	\$252,210

Audit Period

January 1, 2016 – July 31, 2017

Board Oversight

The District maintains three fire stations located in the hamlets of Felts Mills, Rutland Center and Tylerville. Felts Mills Volunteer Fire Company and Rutland Volunteer Fire Company provide fire protection and emergency rescue services. The District rents space from the Rutland Fire and Felts Mills Fire Companies and provides them with the Tylerville fire station, equipment and safety gear. The District receives revenues from property taxes, grants and other miscellaneous sources.

How Should the Board Oversee District Finances?

The Board is responsible for overseeing the District's financial activities and safeguarding its resources. The Board, in conjunction with the Treasurer, should establish and implement procedures that help ensure money is properly safeguarded, transactions are authorized and properly recorded in the accounting records and that the District complies with applicable laws, rules and regulations. It is also important that the Board provides oversight by periodically reviewing monthly reports with supporting documentation, such as budget-to-actual reports, trial balances and bank reconciliations including bank statements and canceled check images.

The Board should also review individual claims before payment. New York State Town Law (Town Law) allows the payment of claims only after review and audit by the Board.¹ The audit of claims helps ensure that proposed payments are proper and valid charges and determines whether claims contain enough supporting documentation. Additionally, the Board should annually audit the Treasurer's records. Town Law requires the Treasurer to produce all books, records, receipts, vouchers, and canceled checks to the Board annually. An annual audit helps ensure that cash is properly accounted for and transactions are properly recorded.

Board oversight is particularly important when one individual is able to perform all aspects of a financial transaction. When segregation of duties is impractical, active supervision and oversight become even more important.

The Board Needs to Improve Oversight of District Finances

While District financial activity was properly recorded and disbursements were authorized, the Board needs to improve its oversight of the Treasurer's financial

¹ The Board may, by resolution, authorize payment in advance of audit for claims for public utility services (electric, gas, water, sewer and telephone), postage, freight and express charges. However, the claims for such prepayments must be audited by the Board after the payments are made.

duties. The Treasurer performed all financial duties including receiving and disbursing cash, signing District checks, conducting bank transfers, maintaining the accounting records and preparing bank reconciliations with little or no oversight.

The Board reviewed a monthly report prepared by the Treasurer, which includes the previous month's balance for each bank account, internal bank to bank transfers, interest earned, revenues collected, claims paid and ending bank balance. However, the Board did not request monthly financial reports, such as budget-to-actual revenue and expenditure status reports,² trial balance reports, bank reconciliations, bank statements or canceled checks to review, which could serve as a tool for the Board to perform oversight duties.

The Board also did not ensure that all claims were adequately supported, properly authorized and for valid purposes. The Treasurer compiles bills and invoices and provides a detail list of claims to be paid (warrant) to the Board for authorization of payment. Board members told us that they do not compare each claim listed on the warrant against supporting documentation such as invoices. Instead, the Board reviews the warrant and requests supporting documentation for questionable items such as high dollar amounts or unrecognized vendor names. The Board also did not annually audit the Treasurer's records. The Treasurer and Board members told us that they were unaware that an annual audit is required.

Without a thorough and deliberate examination of all claims, the Board does not have enough information to determine whether the claims it approves are appropriate and legitimate, and there is an increased risk that improper claims could be paid. Further, because the Board did not annually audit the Treasurer's records, it cannot be certain that cash is properly accounted for and transactions are properly recorded.

We reviewed 60 check payments totaling approximately \$41,700 to determine whether these disbursements were properly authorized, supported, and for appropriate purposes and found no discrepancies. In addition, we reviewed all deposits made during our audit period totaling approximately \$499,600 (including two years of real property tax receipts) to determine whether deposits were made intact and properly recorded and supported.

Our testing of deposits did not disclose any material discrepancies. However, because the Board did not properly oversee the Treasurer's financial duties, there is a risk that errors and irregularities could occur and not be detected or corrected in a timely manner.

² The Board reviews budget-to-actual revenue and expenditure status reports at year-end during budget preparation.

What Do We Recommend?

The Board should:

1. Periodically review the Treasurer's monthly budget-to-actual revenue and expenditures reports, trial balances, bank reconciliations and supporting documentation, such as bank statements and canceled check images.
2. Perform a thorough and deliberate examination of all claims and ensure that claims are supported by adequate documentation and for valid purposes.
3. Annually audit the Treasurer's books and records.

Appendix A: Response from Fire District Officials

Town of Rutland Fire District

Board of Fire Commissioners

P.O. Box 626

Black River, NY 13612

January 22, 2018

Via 1st Class Mail and E-mail (.pdf)

Office of the State Comptroller

[REDACTED]
Syracuse Regional Office
333 East Washington Street
Syracuse, NY 13202

Re: **Response to Draft Report of Examination and Correction Action Plan**
2017M-262 – Audit Period January 1, 2016 – July 31, 2017

Dear [REDACTED]

On behalf of the Town of Rutland Fire District, please accept this letter as the Board of Fire Commissioners formal response to, and correction action plan for, the findings and recommendation contained in your office's draft Report of Examination ("Draft Report") conveyed to us by e-mail on December 29, 2017.

First and foremost, I would like to personally thank you and your staff for the professional audit done. Specifically, we extend our gratitude to your on-site examiner. It was a pleasure to work with this young man. We also appreciate your office's willingness to come out to our fire district and discuss the finding of the examination during the exit interview on January 11, 2018.

As we discussed in the exit interview the Board of Commissioners and the District Treasurer are in agreement with findings of the Report of Examination. The Board of Commissioners and the Treasurer have thoroughly reviewed the Draft Report and we agree with and accept the findings and recommendations.

Board Oversight

In this paragraph we have correction to be made to the following sentence "The District provides the fire companies with the fire stations, equipment, and safety gear." The Rutland Fire Company and the Felts Mills Fire Company own their fire stations and the District rents space in the stations to house the fire equipment owned by the fire district.

See Note 1 Page 7

Recommendations

1. Provide oversight of the Treasurer's duties throughout the year, including a periodic review of financial reports, bank statements and supporting documentation.
2. Audit and approve all claims before payment.
3. Annually audit the Treasurer's records.

Response to Item "1, 2, 3"

The Board appreciates and accepts the findings of the OSC.

Correction Action Plan

1. Beginning in September 2017 the district treasurer provided the board of commissioners with the Monthly Bank Reconciliations which includes canceled check images to review and approve each month. They are also provided a budget-to-actual reports quarterly.
2. Beginning in September 2017 the district treasurer provided the board of commissioners with the Monthly Claim Register with all original claims attached to review and approve each month. They were always provided with the register, The approval of claims to the register was added to approval process.
3. Commencing with February 2018 the board will do an annual audit of the treasurers records and the Annual AUD filing due 60 days after year end.

In closing, we remain committed to be responsible and compliant stewards of the district funds and are pleased with the findings of the draft report.

Thank you for the opportunity that this exercise has given us to enhance our financial oversight.

Very truly yours,

Brian R. Tanner

Chairman of the Board of Commissioners

Appendix B: OSC Comment on the Fire District's Response

Note 1

We made the requested change to our audit report.

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials and reviewed Board minutes to gain an understanding of the Board's oversight of financial operations including the audit of claims, controls over the Treasurer's duties and procedures used to record and monitor financial assets and transactions.
- We randomly selected 50 cash disbursements totaling \$30,768 from the District's vendor payment history to determine whether they were authorized, correctly recorded, supported and disbursed.
- We reviewed all 10 payments totaling \$10,931 made to the Treasurer to determine whether these payments were Board authorized.
- We reviewed all deposits in bank accounts made during our audit period to determine whether they were properly accounted for and deposited intact.
- We compared the adjusted bank balances with the cash recorded in the accounting records as of December 31, 2016 and July 31, 2017.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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