

# Three Town Fire District

## Board Oversight of Financial Activities

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SEPTEMBER 2018

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

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# Report Highlights

## Three Town Fire District

### Audit Objective

Determine whether the Board provided adequate oversight and management of the District's financial activities.

### Key Findings

- The Treasurer did not provide the Board with adequate monthly financial reports, which limited the Board's ability to manage the District's financial affairs.
- The Board did not properly evaluate whether the purchase of a fire truck was compliant with General Municipal Law (GML).
- The District acted outside its legal authority when it paid insurance premiums totaling \$43,334 that included coverage for property and equipment not owned by the District.

### Key Recommendations

The Board should ensure that:

- Financial reports are accurate and comply with applicable laws.
- Competitive bids or competitive offers are awarded in accordance with GML.
- The District is operating within its legal authority.

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The Three Town Fire District (District) is a district corporation of the State, distinct and separate from the Towns of Niles and Sempronius in Cayuga County.

The Board of Fire Commissioners (Board) consists of five elected members responsible for the District's overall financial management. The elected Treasurer serves as the District's chief fiscal officer and is responsible for receiving, disbursing, maintaining custody of and accounting for District funds, and preparing monthly and annual financial reports.

The District provides equipment to and rents space from New Hope Fire Department (Department), Sempronius Fire Company and West Niles Fire Company (Companies).

#### Quick Facts

2018 Appropriations	\$383,014
2017 Appropriations	\$382,264

### Audit Period

January 1, 2016 — December 31, 2017. We extended our scope period back to January 1, 2015 to review documentation related to the procurement of a fire truck and the 2016 budget adoption.

# Financial Activities

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## What Is Effective Board Oversight of Financial Activities?

A fire district's board is required to prepare and adopt an annual budget within a prescribed timetable and annual spending limitation in accordance to New York State Town Law (Town Law).<sup>1</sup> The process for adopting a final budget includes adopting a proposed budget, making it available to the public, holding a public hearing allowing the public to comment on the proposed budget, and then formally adopting the annual budget through board resolution by the required date. In addition, Town Law requires fire districts to annually calculate the district's statutory spending limitation to ensure the district does not exceed the maximum amount it may expend without voter approval.<sup>2</sup>

The board is also responsible for overseeing the district's fiscal activities and safeguarding its resources. A system of internal controls is essential to ensure that financial reports are accurate and reliable and that the district complies with applicable laws, rules and regulations. These include the New York State General Municipal Law (GML)<sup>3</sup> requirement for a uniform system of accounts, which provides a standard format for recording and reporting financial transactions. Identifying unfavorable budget variances in a timely manner enables the board to perform its oversight responsibilities, which include making necessary budget amendments or implementing corrective actions.

Fire districts are established for the purpose of providing fire protection and responding to certain other types of emergencies. They are authorized by Town Law to enter into contracts and to purchase or lease and improve real property. Best practices for managing contracts include negotiating the terms and conditions, ensuring compliance, and implementing or executing the contract. Written contracts must specify the mutually agreed-upon terms and conditions of the parties involved, and compensation. All provisions should be clearly defined, and no provision can cause the district to act outside its legal authority.

## The Board Did Not Provide Adequate Oversight of Financial Activities

The Board did not calculate the District's statutory spending limitation, hold a public hearing prior to adopting the annual budgets, or ensure that financial reports are accurate, reliable and in compliance with GML's requirement for a uniform system of accounts. Additionally, the Board did not establish written rental agreements with its affiliated fire department and companies.

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1 New York State Town Law Section 176. Subsequent citations of Town Law in this report all refer to Section 176.

2 The Accounting and Reporting Manual For Fire Districts contains worksheets to assist in calculating this limitation, at [http://www.osc.state.ny.us/localgov/pubs/arm\\_fds.pdf](http://www.osc.state.ny.us/localgov/pubs/arm_fds.pdf)

3 New York State General Municipal Law Section 36

The Board did not hold a public hearing for the proposed budget or calculate the spending limitation for years 2016 through 2018 as required. Also, the Board did not properly modify the 2016 budget to include an additional appropriation of approximately \$390,000 for the purchase of a fire truck. The District Fire Chief said that a public notice authorizing the expenditure of reserve money appeared in the local newspaper; however, District officials could not provide us with a copy. They also told us the fire truck purchase complied with the competitive bidding requirements of GML<sup>4</sup> because the vendor was part of the National Joint Powers Alliance (NJPA).<sup>5</sup> However, District officials could not provide documentation that NJPA's procurement process complied with GML or demonstrate the District verified that the contract met GML requirements.<sup>6</sup>

The Treasurer provided the Board with monthly budget-to-actual reports based on broad categories that did not align with the adopted budget or the standard format required by the *Accounting and Reporting Manual for Fire Districts*,<sup>7</sup> limiting the Board's ability to effectively perform budget comparisons and monitor the budget to ensure sufficient appropriations were available for expenditures. We reviewed the District's 2016 expenditures and found the actual expenditures exceeded appropriations by 53 percent (Figure 1) primarily due to the unbudgeted purchase of a fire truck for \$389,747.<sup>8</sup>

**Figure 1: Budget-to-Actual Comparison**

	2016	2017
Budgeted Appropriations	\$378,527	\$382,264
Actual Expenditures	\$579,646	\$384,965
Amount (Over)/Under Budget	(\$201,119)	(\$2,701)
Percentage (Over)/Under Budget	(53%)	(1%)

The District also did not establish written agreements with the Department and Companies for the use of their facilities. The District paid a total of \$29,250 in 2016 and \$30,000 in 2017 after increasing its rent by \$250 to each fire entity. In addition, the District's insurance policies included coverage for the Department

4 GML Section 103

5 GML was amended in 2012 to add an exception from competitive bidding requirements that authorizes fire districts to purchase apparatus, materials, equipment and supplies through the use of contracts let by the United States or any agency thereof, any state or any other political subdivision or district therein. In order for the exception to apply, the contract must have been made available for use by other governmental entities and let to the lowest responsible bidder or on the basis of best value in a manner consistent with GML section 103[16]. For additional details relating to this exception, see the Piggybacking Law bulletin on our website at <http://www.osc.state.ny.us/localgov/pubs/piggybackinglaw.pdf>

6 Any determination of whether this specific NJPA contract met the prerequisites for the exception in the law was outside the scope of our audit.

7 [http://www.osc.state.ny.us/localgov/pubs/arm\\_fds.pdf](http://www.osc.state.ny.us/localgov/pubs/arm_fds.pdf)

8 Financing for this unbudgeted expenditure was provided by a capital reserve fund.

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and Companies with insurance premiums<sup>9</sup> totaling \$43,334. Although the District may insure itself against loss from use of the Department's and Companies' properties for District purposes, it lacks the authority to purchase insurance to protect the Department and Companies against loss from use of their respective properties.<sup>10</sup>

Overall, the Board did not provide adequate oversight of the District's financial activities and did not ensure that expenditures were limited to available appropriations, that relevant information was provided to the public in a transparent manner before expending capital reserves and adopting budgets, and that the District paid only for expenditures it was authorized to pay.

### **What Do We Recommend?**

The Board should:

1. Adhere to the statutory timetable when preparing, presenting and adopting the annual budget.
2. Calculate the spending limitation to ensure that the budget is within statutory requirements.
3. Ensure financial reports are accurate and in compliance with applicable laws.
4. Monitor actual results of operations against budget estimates throughout the year.
5. Ensure that competitive bids or competitive offers are awarded in accordance with GML.
6. Enter into written agreements with the District's fire entities outlining the expectations and responsibilities of each party.
7. Ensure that the District is operating within its legal authority.

The Treasurer should:

8. Use the uniform system of accounts as required by GML for all financial reports.

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<sup>9</sup> The insurance premiums were for general liability and physical damage to buildings and equipment.

<sup>10</sup> See Town Law Section 176 (19); Opn 60-351, 9 Op St Comp, 1953, p. 379; Opn 60-114, and Opn 81-214.

## Appendix A: Response From District Officials

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Three-Town Fire district  
5949 New Hope rd  
Moravia, NY 13118

Chairman of board of commissioners: Ricky Jandrew (315)414-7564  
Treasurer: Stefanie Raymond (315)406-0262  
Secretary: Stefanie Raymond (315)406-0262

Three-town fire district  
5949 New Hope Rd  
Moravia, NY 13118

August 20, 2018

To Whom It May Concern:

The Board is responding to your request based upon the audit that was performed in 2018.

We have received the draft report and are working on a corrective action plan at this time.

Sincerely,

Stefanie Raymond, Secretary

## Appendix B: Audit Methodology and Standards

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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, our audit procedures included the following:

- We interviewed District officials to gain an understanding of the District's budgeting practices.
- We reviewed the Board minutes and supporting documentation related to our audit objective.
- We reviewed the adopted budgets for the years 2016 through 2018.
- We analyzed budget lines with significant budget-to-actual variances.
- We reviewed information reported to the Office of the State Comptroller in the annual update document.
- We reviewed financial information provided by the District.

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.

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 C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

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[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

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