

# Montezuma Fire District No. 1

## Board Oversight

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**AUGUST 2018**

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

# Contents

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- Report Highlights . . . . . 1**
  
- Board Oversight . . . . . 2**
  - How Should the Board Oversee District Finances? . . . . . 2
  - The Board Did Not Provide Sufficient Oversight of District Finances . 2
  - Required Reports Were Not Prepared or Filed . . . . . 3
  - What Do We Recommend? . . . . . 4
  
- Appendix A – Response From District Officials . . . . . 5**
  
- Appendix B – Audit Methodology and Standards . . . . . 6**
  
- Appendix C – Resources and Services. . . . . 7**

# Report Highlights

## Montezuma Fire District No. 1

### Audit Objective

Determine whether the Board provided adequate oversight of District operations to ensure financial activity was properly recorded and reported and money was safeguarded.

### Key Findings

The Board has not:

- Adopted financial policies or written procedures concerning financial recording and reporting and has not adequately monitored the District's financial operations.
- Adequately monitored the Treasurer's books and records to ensure the timely submission of required reports.
- Conducted an annual audit of the Treasurer's books and records, as required by law.

### Key Recommendations

- Strengthen the control environment by developing, adopting and implementing written policies and procedures for financial recording and monitor the District's financial operations.
- Review the Treasurer's books and records and ensure that all required reports are submitted in a timely manner.
- Ensure that the Treasurer annually submits all financial records and reports to the Board for audit.

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

### Background

The Montezuma Fire District No.1 (District) is a district corporation of the State, distinct and separate from the Town of Montezuma in Cayuga County.

The District is governed by an elected Board of Fire Commissioners (Board) composed of five members. The Board is responsible for the District's overall financial management and safeguarding its resources. The appointed 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's budget is funded primarily by real property taxes.

#### Quick Facts

Area serviced	19 square miles
Residents	1,280
2017 Budget	\$97,700

### Audit Period

January 1, 2016 – August 30, 2017

We extended our audit scope period back to January 1, 2012 to review compliance with reporting requirements.

# Board Oversight

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## How Should the Board Oversee District Finances?

The board is responsible for managing and overseeing the district's financial activities and safeguarding its resources. In order to effectively manage the district's financial activities, the board is responsible for establishing a system of internal controls which consist of policies and procedures that provide reasonable assurance that cash and other resources are properly safeguarded. Such policies and procedures ensure that transactions are authorized, audited and properly recorded; that financial reports are accurate, reliable, and filed in a timely manner; and that applicable laws, rules and regulations are followed.

New York State (NYS) Town Law<sup>1</sup> establishes the treasurer's responsibilities for maintaining the district's accounting records. The treasurer should maintain complete, accurate and up-to-date records to provide district officials with the information necessary to effectively manage cash and monitor the district's financial affairs. Additionally, the treasurer should provide monthly financial reports to the board and annually present his books and records to the board for audit to provide assurance that he is discharging the duties of his office as provided for by law. The treasurer is also required by NYS General Municipal Law<sup>2</sup> to prepare and submit an annual financial report known as the annual update document (AUD)<sup>3</sup> of the district's financial condition to the Office of the State Comptroller (OSC) within 60 days after the close of the fiscal year.

## The Board Did Not Provide Sufficient Oversight of District Finances

The Board has not adopted financial policies for investment, procurement, claims processing or written procedures concerning financial recording and reporting. The Board is not adequately monitoring the District's financial operations as monthly budget status reports,<sup>4</sup> bank reconciliations, bank statements and cancelled check images are not provided or reviewed. The Board's lack of review of the Treasurer's records greatly diminishes its oversight of the District's finances and could lead to errors and misstatements that remain undetected and uncorrected. Additionally, the Board is not ensuring that the Treasurer is in compliance with applicable laws, rules and regulations.

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1 New York State (NYS) Town Law Section 177

2 NYS General Municipal Law Section 30

3 The AUD is an important fiscal tool which provides the Board with necessary information to monitor district operations and provide other interested parties with a summary of the district's financial condition and activities.

4 Budget-to-actual reports

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The Treasurer did not prepare monthly bank reconciliations. The Treasurer provided the Board with a monthly spreadsheet that reported receipts and disbursements and a running cash balance, but did not include the bank statement or check images for review. Due to the lack of sufficient oversight, we reviewed all four cash receipts totaling \$167,758<sup>5</sup> and found the receipts were deposited in an average of 58 days.<sup>6</sup> Additionally, we performed bank reconciliations for the District's checking account from January 1, 2016 through August 30, 2017 and noted minor discrepancies, which we discussed with District officials. When the Treasurer does not make deposits timely and does not prepare and present monthly bank reconciliations to the Board, there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

NYS Town Law<sup>7</sup> requires the Board to audit all claims against the District prior to the Treasurer making payments for the claims. District officials stated that they audit the bills. However, there was insufficient evidence of what the Board's review entailed or what claims it approved. Therefore, we reviewed all 179 cash disbursements totaling \$135,109 to determine whether they were for a legitimate District purpose, adequately supported, audited and approved prior to payment. Aside from lacking documentation of the Board's audit of the claims and some minor discrepancies which we discussed with District officials, claims were adequately supported and were for District purposes. When the Board does not clearly document which claims have been audited and approved for payment, there is an increased risk that improper claims could be paid.

### **Required Reports Were Not Prepared or Filed**

The Treasurer has not submitted the District's AUD to OSC for fiscal years 2012 through 2016 as required by NYS General Municipal Law.<sup>8</sup> In addition, District officials explained they have discussed having an audit conducted but never followed through with having one done. As a result, the Board did not have necessary information to monitor the budget, and residents have limited information regarding the District's financial operations prior to budget hearings.

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5 The District's cash receipts are 99 percent from real property taxes levied.

6 NYS Town Law Section 177 requires money received by the Treasurer be deposited within 10 days.

7 NYS Town Law Section 176

8 NYS General Municipal Law Section 30

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## What Do We Recommend?

The Board should:

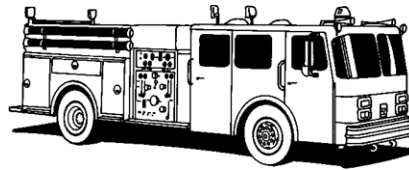
1. Strengthen the control environment by developing, adopting and implementing written policies and procedures to control and monitor District operations ensuring compliance with applicable laws, rules, regulations and the reporting requirements of oversight agencies.
2. Request and review bank reconciliations, bank statements and cancelled check images.
3. Ensure the Board minutes accurately reflect which claims it has audited and approved for payment.
4. Annually audit the Treasurer's books and records.

The Treasurer should:

5. Provide the Board with a written monthly financial report that includes all money received and disbursed during the month.
6. Prepare monthly bank reconciliations for all District bank accounts and provide the reconciliations, cash balances, bank statements and cancelled check images to the Board and District officials for review.
7. Annually prepare and submit the AUD to OSC as required.

## Appendix A: Response From District Officials

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### Montezuma Fire District

P.O. Box 332

Montezuma, New York 13117

July 11, 2018

To Whom it May Concern:

We have reviewed the audit report of the Montezuma Fire District No. 1 Board Oversight 2018M-54.

The Board agrees there are opportunities to improve areas identified in the report and continue to make changes in-line with the audit recommendations.

A formal response to the audit will be completed and submitted.

Regards

Nancy Kratz  
Chairperson, Board of Commissioners  
Montezuma Fire District

## 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 and reviewed the various financial records and reports to gain an understanding of the District's procedures related to collecting, recording, depositing and disbursing funds and the reconciling and reporting of financial transactions.
- We reviewed Board minutes and interviewed Board members to determine the Board's oversight over the Treasurer's records, including whether or not an annual audit was conducted.
- We requested the AUDA submitted to OSC from 2012 to 2016.
- We requested all manual records, receipts and invoices, deposits and bank statements. We requested cancelled check images from the District's bank for the audit scope period.
- We determined whether the Treasurer prepared and provided District officials with a monthly financial report as required by law and assessed the adequacy of monthly financial reports that were prepared.
- We reviewed all cash disbursements for the audit scope to determine if invoices are reviewed and approved prior to payment and disbursements were supported by adequate documentation and for appropriate District purposes.
- We tested all cash receipts for the audit scope period to ensure that receipts are appropriately recorded and deposited intact and timely.

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. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.



## 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)

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

## Contact

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