

Monsey Fire District

Board Oversight

JULY 2020



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

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Report Highlights

Monsey Fire District

Audit Objective

Determine whether the Board provided adequate oversight to ensure District financial records and reports were prepared, filed and/or audited.

Key Findings

- The Board provided inadequate and ineffective oversight of the District's operations and did not comply with General Municipal Law financial filing and audit requirements.
- For seven consecutive years, an annual update document (AUD), which is a required annual financial report, was not properly filed.
- The required annual independent audit of the District's financial records was not performed since 2012, and the length of service awards program (LOSAP) that started in 1990 was never audited.

Key Recommendations

- Ensure AUDs are submitted to OSC within 60 days after the close of the fiscal year.
- Obtain an annual independent audit of the District's financial and LOSAP records.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The Monsey Fire District (District) is a district corporation of the State, distinct and separate from the Town of Ramapo in Rockland County. The District provides fire protection and emergency rescue services to approximately 35,000 residents over 15 square miles.

An elected five-member Board of Fire Commissioners (Board) governs the District and is responsible for its overall financial management.

The Board appoints a Treasurer who acts as the District's chief fiscal officer and is responsible for receiving, maintaining custody of, disbursing and accounting for District funds and preparing periodic financial reports.

Quick Facts

2019 Appropriations	\$1.3 million
Residents Served	Approximately 35,000
Volunteer Firefighters	55

Audit Period

January 1, 2018 – June 30, 2019

Board Oversight

How Can the Board Effectively Oversee District Financial Activities?

The Board is responsible for managing and overseeing the District's fiscal activities and safeguarding its resources. An important aspect of this responsibility is to ensure that applicable laws, rules and regulations are followed and financial reports and records are prepared, filed and/or audited in a timely manner.

New York State General Municipal Law (GML) requires the District to submit an annual report of its financial position and results of operations, known as the annual update document (AUD), to the Office of the State Comptroller (OSC). The AUD is an important fiscal tool to help the Board monitor District operations and provides interested parties or stakeholders with a complete summary of the District's financial activities. The AUD must be submitted to OSC within 60 days after the close of the District's fiscal year.

The Board Did Not File an Annual Update Document for Seven Consecutive Years

The Board did not ensure the Treasurer prepared and filed the District's AUD for seven consecutive years (2013 through 2019). The District filed the AUD for 2012 in 2015, which was three years late. The current Treasurer told us she did not know it was required, and she did not know how to file it.

The Treasurer provided monthly financial information to the Board for management purposes. However, the District did not file its AUDs in a timely manner, this compromised the transparency of District operations provided to taxpayers and other interested parties. Without the AUD, taxpayers and others do not have the opportunity to examine the District's financial operations and financial condition.

Why Do the District's Financial Records and LOSAP Program Need to Be Audited?

New York State Town Law (Town Law) requires the Board to obtain an independent audit when the District's annual revenues exceed \$300,000. A copy of the annual audit report must be given to the Commissioners, the Town Board(s) and OSC within 180 days of the end of the fiscal year audited.

A length of service awards program (LOSAP) is similar to a pension program, but is intended to assist emergency service organizations, such as fire districts, in recruiting and retaining volunteers. The program offers pension-like financial awards to volunteers based on the number of years they have served as an active volunteer.

In general, upon reaching entitlement age, program participants receive a monthly monetary benefit for each qualified year of service, up to a maximum of 40 years.

The program offers pension-like financial awards to volunteers based on the number of years they have served as an active volunteer.

To receive yearly service credit, District members must accumulate a certain number of “points,” which are earned by participating in different activities.¹

According to GML, fire districts that sponsor a LOSAP must obtain an annual audit of their records by an independent public accountant (IPA) either as part of their required district audit or separately. The IPA audit report must include a review of the program’s financial condition, resources and other items as designated and prescribed by OSC.

The audit must explore the LOSAP’s financial condition, actuarial assumptions, fiduciary investment and control asset allocations, including whether current assets are adequate to fund future liabilities. LOSAP audits must be completed within 270 days of the end of the sponsor’s fiscal year. A copy of the audit must be provided to the program sponsor and OSC.

The Board Did Not Obtain an Independent Audit of its Financial Records and LOSAP Program

The District reported annual revenues in excess of \$300,000 and sponsors a LOSAP. However, the Board did not ensure the District had an independent audit of its financial records performed since 2012, even though its annual revenues exceeded the threshold. For example, in 2018 and 2019 the District received more than \$1.3 million in revenues each year. In addition, the District has never had its defined benefit LOSAP audited since the program started in 1990.

District officials provided us with an agreement² between a certified public accounting (CPA) firm and the District to audit the District’s 2009 and 2010 records. However, District officials did not provide us with any evidence or documentation showing that these audits were performed.

Because the District did not obtain an annual independent audit, the Board is in violation of GML and does not have a certified and accurate account of the District’s finances to rely on. As a result, taxpayers and stakeholders cannot be assured of the District’s financial position, and volunteers cannot be assured of the financial status of the LOSAP funds.

Prudent management of the plan helps keep costs at a minimum while protecting the retirement-like benefits for volunteers. Because the plans are long-term and complex, requiring investment and actuarial expertise, it is important that the plans be independently reviewed as part of the annual audit to protect taxpayers and the volunteers.

...[T]he Board is in violation of GML and does not have a certified and accurate account of the District’s finances to rely on.

1 Such as attending training courses, drills and company meetings, holding elected and/or appointed positions and responding to emergency calls

2 The agreement was dated November 8, 2018.

Why Must Fire Commissioners Attend Mandatory Training?

One way that Board members can become aware of statutory requirements and sound management practices is to participate in mandatory training as required by Town Law. The Law requires elected or appointed fire district commissioners to complete an OSC-approved fiscal oversight training course within 270 days of their first day of office.

The training covers the commissioners' legal, fiduciary, financial, procurement and ethical responsibilities. Specifically, this training includes procurements and disposition of assets, including competitive bidding, procedures for procurements for which competitive bidding is not required, maintenance of asset inventories and the sale or other disposition of district assets.

The training course is offered on multiple dates and in various locations across the State to facilitate attendance. Commissioners are required to complete the training each time they are elected, re-elected, appointed or reappointed to office.

Four Fire Commissioners Did Not Attend the Mandatory Training

As of the end of our fieldwork, four of the District's five fire commissioners had not attended the mandatory training. One commissioner was elected in 2015, another commissioner was elected in 2016, and two others were elected in 2018. However, none of them had completed the required training as of December 2019.

Board members did not tell us why the four fire commissioners failed to complete the legally required training. Because the four commissioners did not complete the required training, this limited the Board's understanding of how to properly monitor the District's financial activities. It is also a likely contributing factor to the inadequate and ineffective oversight of District operations.

What Do We Recommend?

The Board should:

1. Ensure the Treasurer prepares and files the District's AUD with OSC within 60 days of the close of the fiscal year.
2. Engage an IPA to audit the District's financial and LOSAP records.
3. Ensure that all elected or appointed commissioners complete the mandatory fiscal oversight training within 270 days of taking office.

Appendix A: Response From District Officials

**BOARD OF FIRE COMMISSIONERS
MONSEY FIRE DISTRICT
P. O. BOX 12
MONSEY, NEW YORK 10952**

June 11, 2020

New York State Comptroller's Office
33 Airport Center Drive
Suite 103
New Windsor, New York 12553

Attention: Lisa Reynolds,
Chief Examiner of Local Government and
School Accountability

RE: Monsey Fire District Response to Draft Report of Examination – 2020M-62

Dear Ms. Reynolds:

On behalf of the Board of Fire Commissioners of the Monsey Fire District, I am writing to acknowledge receipt of the Draft Report of Examination on Board Oversight for the period of January 1, 2018 through June 30, 2019. The Board realizes an audit is a collaborative effort to identify opportunities for improving the operations and governance of the District.

The Board and District officials have reviewed the Draft Audit Report and acknowledge and accept the findings and have no objection to the recommendations.

We would like to thank the Office of the State Comptroller's personnel involved in the audit process for their professionalism, thoroughness and courtesy displayed during the audit and for their help in working with our new treasurer.

If you have any questions, please do not hesitate to contact this office.

Very truly yours,

Yoley Lebovits
Chairman, Board of Fire Commissioners

Appendix B: 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, our audit procedures included the following:

- We interviewed District officials to gain an understanding of the District's internal controls.
- We asked officials whether the Board obtained an independent audit of the District's finances and its LOSAP.
- We reviewed the Treasurer's records and reports to determine whether they were complete, accurate and current.
- We reviewed all available certificates of completion for the required fire commissioner mandatory training.
- We reviewed AUD submissions to determine whether the District filed AUDs with our office within 60 days after the close of its fiscal year.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.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/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

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

www.osc.state.ny.us/local-government/academy

Contact

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