



Eaton No. 1 Fire District

Board Oversight

2024M-4 | May 2024

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Report Highlights

Eaton No. 1 Fire District

Audit Objective

Determine whether the Eaton No. 1 Fire District (District) officials adequately monitored financial activity and ensured appropriate records and reports were maintained.

Key Findings

District officials did not adequately monitor financial activities or maintain appropriate records and reports. The Board of Fire Commissioners (Board) did not:

- Ensure basic accounting records were maintained or that it received written financial reports to manage operations.
- Ensure bank reconciliations were performed.
- Ensure that the District's required annual financial reports (AFRs) were filed in a timely manner.
- Conduct an annual audit of the Secretary-Treasurer's accounting records for 2020 through 2022.
- Adequately audit claims prior to payment. Of the 108 claims totaling \$209,006 that we reviewed, 55 claims totaling \$116,846 (56 percent) had one or more exceptions.
- Adhere to statutory requirements by seeking competition when purchasing a truck and related equipment totaling \$80,991.

Key Recommendations

- Maintain proper accounting records and prepare and file financial reports in a timely manner.
- Perform an annual audit of the Secretary-Treasurer's records.
- Ensure claims are supported, audited and approved prior to payment.
- Comply with competitive bidding requirements.

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

Audit Period

January 1, 2022 – December 1, 2023

We extended our audit period back to review the timeliness of required AFR submissions for 2018 through 2021 and to determine whether annual audits were performed for 2020 and 2021.

Background

The District is located in the Town of Eaton in Madison County. The Board consists of five elected members, with one member being appointed as Chairperson. The Board is responsible for the District's overall financial management.

The Board-appointed Secretary-Treasurer is the chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds; preparing financial reports; and keeping Board meeting minutes.

The District contracts with an independent accounting firm that prepares the District's AFRs.

Quick Facts

2023 Budget	
Appropriations	\$178,357
Real Property Tax Levy	\$169,905
Fire Protection Contract	\$7,952
January 1, 2022 – August 31, 2023	
Claims Paid	\$287,787
Claims Tested	\$209,006

Board Oversight

How Can a Board Provide Adequate Oversight of Financial Activities?

A board of fire commissioners (board) is responsible for overseeing a fire district's fiscal activities and safeguarding its resources. Therefore, it is essential that a board ensures transactions are authorized, properly reviewed and recorded; and that accurate financial reports are prepared and filed in a timely manner. An important aspect of a board's responsibility is to provide a process to routinely monitor and review the work performed by those who handle money as part of their duties. Oversight becomes particularly important in operations that do not have adequate segregation of duties. If one person, such as the treasurer, performs nearly all financial duties (e.g., collects and disburses funds, maintains the accounting records and performs reconciliations), it weakens internal controls over the fire district's financial operations.

A board should ensure a treasurer maintains complete and accurate records to properly account for all fire district financial activities in a timely manner, and ensure a treasurer provides the board with monthly financial reports. The reports should show all money received and disbursed during the month and include reconciled cash balances for all bank accounts; and be accompanied by bank reconciliations and statements. Reconciling bank account balances with the accounting records monthly allows fire district officials to determine whether all collections and disbursements were captured and correctly recorded in a timely manner.

The board should also receive a budget status report that compares actual revenues and expenditures to amounts estimated in the annual budget. Also, the treasurer is required by New York State General Municipal Law (GML) Section 30 to prepare and file the fire district's AFR with the New York State Office of the State Comptroller (OSC) within 60 days after the close of the fiscal year.

Additionally, a board should audit the treasurer's records annually.¹ As part of the audit, the treasurer is required to produce all books, records, vouchers and canceled checks or images. An annual audit helps ensure that cash is properly accounted for, and transactions are properly recorded.

The Board Did Not Provide Adequate Oversight of Financial Activities

The Board did not provide sufficient guidance or oversight to ensure that the Secretary-Treasurer maintained appropriate accounting records, properly reconciled the bank accounts and provided timely financial reports to the Board

¹ OSC has a publication available on our website titled The Internal Audit Process for Fire Districts (<https://www.osc.state.ny.us/files/local-government/resources/pdf/internalauditprocess.pdf>), which contains guidance and a checklist to assist governing boards in performing an annual audit.

and OSC. The Board also did not request or review bank reconciliations, bank statements or canceled check images.

Accounting Records and Reports – The Secretary-Treasurer did not maintain basic accounting records and did not provide any written financial reports to the Board. The Secretary-Treasurer did not maintain a general ledger or subsidiary ledgers to classify actual revenues and expenditures by account code or type of expenditure.

The District’s budgets include several revenue and expenditure descriptions. However, the Secretary-Treasurer does not code transactions to indicate the actual dollar value collected or spent relative to the amounts budgeted. For example, the District has budget appropriations for the Secretary-Treasurer’s salary, equipment and maintenance, insurance, and training. However, no accounting records are maintained that track the actual expenditures in each of these categories or compare them to budgeted amounts throughout the year.

Rather, the Secretary-Treasurer maintained spreadsheets tracking activity for the District’s checking account and debit card bank account. The spreadsheets included deposit amounts, checks written and a cash balance for the District’s checking account, and a list of debit card transactions for the debit card account. However, this is not a sufficient substitute for accounting records because they did not provide year-to-date revenues and expenditures by account code. In addition, the Secretary-Treasurer did not maintain any accounting records to track the activity in the District’s two savings accounts and a certificate of deposit, which had a total balance of \$305,451 as of August 31, 2023.

Because the records were inadequate, the Secretary-Treasurer could not and did not provide the Board with monthly budget-to-actual reports. Therefore, the Board was not able to monitor the budget throughout the year. Furthermore, the Secretary-Treasurer did not provide written reports detailing collections, disbursements or bank account cash balances to the Board. Two Board members told us they requested financial reports from the Secretary-Treasurer, but she did not provide them. Without interim financial reports, the Board has insufficient information to oversee the District’s financial activities and make informed financial decisions.

Bank Reconciliations – The Secretary-Treasurer did not properly prepare bank reconciliations, and no one independently reviewed bank reconciliations, bank statements or canceled check images. The Secretary-Treasurer maintained a list of outstanding checks in her records and would document the date a check cleared. However, she did not record all bank accounts in her records and did not reconcile the cash balances she did maintain in her records with the actual bank balances.

The Secretary-Treasurer did not maintain basic accounting records and did not provide any written financial reports to the Board.

The Secretary-Treasurer did not properly prepare bank reconciliations, and no one independently reviewed bank reconciliations, bank statements or canceled check images.

When bank reconciliations are not prepared to verify recorded cash agrees with the cash in the bank, and there is no supervisory review of bank reconciliations in conjunction with bank statements and canceled check images, there is a greater risk that errors and/or irregularities could occur and remain undetected.

AFR Reporting – The Secretary-Treasurer did not request a filing extension or submit the District’s AFRs to OSC within 60 days after the close of the fiscal year as required (Figure 1). For example, the 2022 AFR was filed on August 15, 2023, which was more than five months after it was due.

The AFR can be a useful tool for the Board to review financial operations and provide oversight. When AFRs are not filed in a timely manner, it results in diminished transparency and the Board, taxpayers, OSC and other interested parties are denied the ability to assess timely information about the District’s financial standing.

Annual Audit – The Board did not perform an annual audit of the Secretary-Treasurer’s records for 2020 through 2022. Multiple Board members and the Secretary-Treasurer told us they believed they were receiving an audit from the District’s independent accounting firm. However, the accounting firm was not performing an audit. Instead, the accounting firm was compiling financial records after the end of the fiscal year to file the District’s AFRs. This does not constitute an audit. Therefore, no one, including the independent accounting firm, verified the accuracy and completeness of the Secretary-Treasurer’s records.

In the absence of an annual audit, there is no independent verification that transactions have been properly recorded and funds properly accounted for. Annual audits are particularly important in small operations that are not able to adequately segregate financial duties.

Figure 1: AFRs – Days Filed Late

AFR Filing Year	Date Filed	Days Late
2018	5/7/2019	66
2019	10/7/2020	220
2020	9/11/2021	193
2021	8/25/2022	176
2022	8/15/2023	166
Average Days Late		164

The Board did not perform an annual audit of the Secretary-Treasurer’s records. ...

Why Should a Board Establish an Effective Claims Auditing Process?

New York State Town Law (Town Law) Section 176 (4-a) requires the board to audit all claims against the fire district prior to payment and, by resolution, order the treasurer to pay the approved claims. The law provides the board may, by resolution, authorize payment in advance of audit for claims for public utility services, postage, freight and express charges. Such claims must be presented to the board for audit at the next regular meeting.

An effective claims auditing process ensures that every claim against the fire district is subjected to a thorough and deliberate review, that each claim contains adequate supporting documentation to determine whether the amounts claimed

represent appropriate fire district expenditures, and it complies with statutory requirements (e.g., competitive bidding). Specifically, the board must ensure that fire district officials have complied with General Municipal Law (GML) Section 103, which generally requires fire districts to solicit competitive bids for purchase contracts that exceed \$20,000. In lieu of soliciting competitive bids, fire district officials may choose to make purchases using contracts awarded by the New York State Office of General Services (State contracts).

When a board audits and approves claims, the minutes of the board meetings should reflect what claims have been audited and whether they were allowed or disallowed, in whole or in part.

The Board Did Not Audit and Approve All Claims and Comply with Competitive Bidding Requirements

At monthly Board meetings, the Secretary-Treasurer provided the Board with claims to be audited and approved for payment. The Secretary-Treasurer did not prepare a claims form (cover sheet) for each claim and did not consecutively number claims to identify individual claims and ensure they were accounted for. Furthermore, the Secretary-Treasurer did not list the claims on an abstract to document the claims audited and approved. Although Board members signed or initialed individual claims signifying their review and approval, the claims did not include an approval date, and the Board's meeting minutes did not document the specific claims and/or the total dollar amount of the claims the Board authorized the Secretary-Treasurer to pay. Therefore, there was no clear record showing which claims the Board audited and approved at each meeting.

We reviewed 108 claims totaling \$209,006² to determine whether claims had adequate supporting documentation, complied with competitive bidding requirements, were for a valid District purpose and were audited and approved prior to payment. While the claims were generally for District purposes, we determined that 55 claims totaling \$116,846 (56 percent) had one or more exceptions. For example:

- Eight claims totaling \$87,171 were not signed or initialed by any Board members and the Board meeting minutes did not document the specific claims approved. Therefore, there was no evidence the Board audited and approved these claims.
- Thirteen claims totaling \$64,084 did not include adequate supporting documentation, such as an itemized invoice or receipt. For example, the only supporting documentation provided for the purchase of a pickup truck costing

... 55 claims
totaling \$116,846
(56 percent) had
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exceptions.

2 See Appendix B for our sampling methodology.

\$60,415 was a copy of an email from the vendor requesting payment. Other purchases were made from statements or other documentation that included the amount due to the vendor but did not provide an itemized account of the goods or services purchased. Without this information, the Board cannot verify the purchases and amounts paid are appropriate. In addition, the Board authorized three duplicate payments totaling \$330 because it made payments based on vendor statements. Although the District was credited for the overpayments, this demonstrates the importance of approving claims based on itemized receipts or invoices rather than statements.

- Nine claims totaling \$16,051 were paid in advance of the Board’s audit. The Secretary-Treasurer told us that the Board approved these claims to be paid in advance because there was no Board meeting that month. However, these claims were not permitted by Town Law Section 176 (4-a) to be paid prior to the Board’s review and approval. Examples of these claims included:
 - Workers’ Compensation charges (\$14,037),
 - Fire gear and equipment (\$1,000), and
 - Fuel (\$775).
- Eleven debit card claims totaling \$3,762 were not audited by the Board as the receipts were not included with signed claims presented to the Board. These included purchases for a trauma bag, computer hardware and software, printer ink and a pressure washer. Debit cards pose additional risks by allowing a payment to be directly withdrawn from a fire district’s bank account at the time of purchase, and unauthorized use may not be quickly detected. Also, when debit cards are used, the Board has no opportunity to audit and approve the related claims before they are paid.
- Nine claims totaling \$3,395 were paid without claims on file to support the payments. These purchases were for postal fees, training classes and the 2023 installation banquet. The Board Chairperson and the Secretary-Treasurer could not provide a reason for why claims were not prepared to support these purchases.
- Twenty claims were paid that included \$260 for sales tax, which the District is exempt from paying.

While we determined that these claims were generally for appropriate District purposes, when the Board does not audit and approve all claims prior to payment, and ensure claims are supported by adequate invoices or other documentation, there is an increased risk that claims could be paid that are not for valid District purposes.

In addition, the Board authorized two purchases totaling \$80,991 without seeking competition. In July 2022, the District purchased a pickup truck totaling \$60,415 (as previously discussed) with the intention of converting it into a small rescue vehicle. Following the purchase, in March 2023, officials had equipment installed and upgrades made to the vehicle totaling \$20,576 to complete the conversion. Both purchases exceeded the GML competitive bidding threshold for purchase contracts; however, officials did not seek competitive bids or use a State contract for either purchase. The Board Chairperson and Chief were unable to provide a reasonable explanation for why they did not seek competition.

When officials do not use a competitive process to procure goods and services, there is an increased risk that goods and services may not be procured in the most prudent and economical manner and in the best interest of taxpayers.

What Do We Recommend?

The Board should:

1. Require the Secretary-Treasurer to maintain accurate, complete and up-to-date accounting records. The records should include all cash accounts and subsidiary revenue and expenditure ledgers.
2. Ensure the Secretary-Treasurer prepares and provides the Board monthly financial reports showing funds received and disbursed, reconciled cash balances and budget-to-actual results.
3. Routinely review and verify the Secretary-Treasurer's work including reviewing bank statements, bank reconciliations and canceled check images.
4. Conduct an annual audit of the Secretary-Treasurer's records and reports.
5. Conduct a deliberate, thorough and timely audit of all claims prior to payment.
6. Require all claims to contain enough supporting documentation prior to approving payment (e.g., original itemized invoices and receipts).
7. Consider discontinuing the use of the District's debit card.
8. Ensure that the District does not pay sales tax on purchases.
9. Ensure District officials comply with Board policies and statutes requiring competition when procuring goods and services.

...[T]he Board authorized two purchases totaling \$80,991 without seeking competition.

The Secretary-Treasurer should:

10. Maintain accurate, complete and up-to-date accounting records and prepare monthly bank reconciliations for all District accounts, and investigate and resolve any differences.
11. Ensure the AFR is completed and filed with OSC within 60 days after the close of the fiscal year as required.
12. Prepare a consecutively numbered cover sheet for each claim and an abstract listing the claims audited and approved by the Board.
13. Document the specific claims the Board authorized for payment in the Board meeting minutes and only pay claims after a proper audit and approval.

Appendix A: Response From District Officials

EATON FIRE DISTRICT

P.O. BOX 911
EATON, NY 13334

May 1, 2024

Rebecca Wilcox, Chief of Municipal Audits
Syracuse Regional Office
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202

Dear Rebecca,

The Eaton Fire District would like to thank you and your staff for all the time and patience you had with us during our audit. We acknowledge that we have gone over the draft report with your staff. The Fire District Commissioners have received a copy of the draft report.

We have already started making changes to the way we are doing things based on your recommendations and will continue to improve to make sure we are following the rules and regulations set forth in your findings.

Sincerely,

RaeJeanna Stoddard
District Secretary/Treasurer

Chairman of the Commissioners--Howard Montanye

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed Board meeting minutes and policies to gain an understanding of the Board's oversight of financial operations including the audit of claims, procedures used to record and monitor financial transactions, and whether the Board conducted an annual audit of the Secretary-Treasurer's records.
- We reviewed the Secretary-Treasurer's accounting records for the period January 2022 through August 2023 to determine whether they were adequate.
- We reviewed AFR submissions to determine whether the District submitted AFRs for 2018 through 2022 to OSC within 60 days after the close of the fiscal year.
- We reviewed 108 claims totaling \$209,006 to determine whether they were authorized, adequately supported, complied with Board policy and competitive bidding requirements, and were for valid District purposes. We used our professional judgment to select 52 claims from the months of July 2022, December 2022 and May 2023 because they were the months with the highest claims activity. We used our professional judgment to select an additional 56 claims that posed a higher risk for inappropriate District expenditures. These claims included any payments to Board members, the Secretary-Treasurer, payments to unrecognized vendor names, payments to vendors that sell items that could be converted to personal use or items that may be unrelated to District operations, and all debit card payments.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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