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Robert Stokes, Chairperson
Members of the Board of Fire Commissioners
Otisco Fire District
P.O. Box 571
Tully, NY 13159

Report Number: 2016M-415-F

Dear Chairperson Stokes and Members of the Board of Fire Commissioners:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and to account for and protect their fire district's assets. In accordance with these objectives, we conducted an audit of the Otisco Fire District (District) to assess whether the Board of Fire Commissioners (Board) implemented adequate financial management procedures. As a result of our audit, we issued a report, dated February 2017, that identified certain conditions and opportunities for the Board's review and consideration.

To further our policy of providing assistance to local governments, we revisited the District in July 2024. Our follow-up review was limited to interviews with Board members and the District's Treasurer (Treasurer) and inspection of certain documents related to the issues identified in our report. We also reviewed the District's corrective action plan (CAP), which was included as an Appendix in the audit report. Based on our limited procedures, the District has not made progress in implementing corrective action. Of the three audit recommendations, two recommendations were not implemented, and one recommendation was not applicable for the period that we reviewed.

Recommendation 1 – Annual Financial Reports (AFRs)

The Board should ensure that the Treasurer prepares and files annual financial reports with the Office of the State Comptroller (OSC) within 60 days after the close of the fiscal year.

Status of Corrective Action: Not Implemented

Observations/Findings: After our audit, the Treasurer filed the 2013 and 2014 AFRs with OSC in July 2017 and the 2015 AFR in September 2017. However, the Board did not ensure subsequent AFRs were filed by the Treasurer. As of September 18, 2024, the Treasurer had not prepared and submitted AFRs for the 2016 through 2023 fiscal years (Figure 1).

Fiscal Year	Days Late
2016	2,758
2017	2,393
2018	2,028
2019	1,662
2020	1,297
2021	932
2022	567
2023	201

When AFRs are not filed in a timely manner, it results in diminished transparency. Also, the Board, taxpayers, OSC and other interested parties are denied the ability to review and assess the District’s financial standing.

Recommendation 2 – Independent Audits

The Board should ensure that an independent accountant performs an annual audit of the Treasurer’s records as required by law.

Status of Corrective Action: Not Applicable

Observations/Findings: During our audit, New York State Town Law 181-b required the Board to obtain an annual audit of the District’s records when annual revenues were \$300,000 or more per fiscal year. As of November 2020, the law was amended to increase the revenue threshold, from \$300,000 to \$400,000 per fiscal year, that would require the Board to obtain an external annual audit. For the 2020 through 2023 fiscal years (four years), the District did not meet this revenue threshold and, therefore, was not required to obtain an independent annual audit. However, according to the District’s 2024 budget and tax levy, the District raised \$430,531 in real property tax revenues in the current year. Consequently, the Board will need to obtain an independent audit of the District’s 2024 records.

Recommendation 3 – Bank Reconciliations

The Board should ensure that the Treasurer submits bank reconciliations and bank statements monthly to the Board for review.

Status of Corrective Action: Not implemented

Observations/Findings: A Board member and the Treasurer told us that, as a result of the 2017 audit, bank statements and bank reconciliations were provided to the Board for review. However, the Treasurer stopped providing these documents to the Board in March 2020, when the monthly Board meetings went from in-person to online due to the COVID-19 pandemic. Although the Board switched to virtual meetings, it should have continued reviewing bank statements and reconciliations. Also, the Treasurer did not provide the Board with bank statements and bank reconciliations when in-person meetings resumed.

Figure 2: May 2024 Cash Balances	
Bank Statement Balances (All Accounts)	\$682,402
Add: Deposits in Transit	409,876
Subtract: Outstanding Checks	276,025
Adjusted Bank Balances	\$816,253
Cash as of Monthly Report to the Board	581,994
Difference	\$234,259

We reviewed the Treasurer’s May 2024 bank reconciliations for all checking and savings bank accounts and determined that the adjusted bank balances on the bank reconciliations exceeded the total cash reported on the monthly report (which the Treasurer provided to the Board) by \$234,259 (Figure 2).

Also, we identified several large questionable reconciling items reflected on the bank reconciliations:

- Two transactions from 2019 and 2020 totaling \$65,000 were included as outstanding checks (transfers) on the savings account bank reconciliation and deposits in transit in the checking account bank reconciliation. Although the net amount is zero, it is unclear whether the transfers were ever made and/or recorded between the two cash accounts.
- The Treasurer recorded a March 2020 deposit of \$344,876 twice. Rather than correct the error in the records, the Treasurer reflected a deposit in transit on her bank reconciliations for several years.
- The Treasurer’s reconciliation included two checks totaling \$124,000, dated December 2022 and January 2023, as outstanding. However, as of May 2024, the checks had not yet cleared the bank. During our audit follow-up, the Treasurer voided these payments.

When we removed these invalid reconciling items from the May 2024 bank reconciliation, the adjusted bank balance totaled \$595,377, or \$13,383 more than the cash balance shown on the monthly report. The Treasurer acknowledged that there were differences between the bank statements and her accounting records. She said that she has not had time to investigate and make corrections. However, because some of these items originated more than four years ago, they should have been addressed.

When reconciling items do not clear the bank in the subsequent month, the Treasurer should immediately investigate and resolve the discrepancies. Had Board members received and reviewed bank statements and reconciliations, they might have noticed that the adjusted bank balances did not agree with the cash reported in the monthly reports and that certain reconciling items never cleared the bank.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues with District officials. We encourage officials to continue their efforts to fully implement our recommended improvements.

Because our limited follow-up procedures identified deficiencies in the District’s accounting records and procedures, we have engaged the District in a separate audit to review selected financial operations. At the conclusion of our audit, we will report on the audit’s results and provide recommendations to help further improve the District’s operations.

If you have any further questions, please contact Rebecca Wilcox, Chief of Municipal Audits of our Syracuse Regional Office at (315) 428-4192.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller