



Richburg-Wirt Fire District Financial Records and Reports

Report of Examination

Period Covered:

January 1, 2008 — November 13, 2009

2010M-01



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2010

Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Fire Commissioners governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Richburg-Wirt Fire District, entitled Financial Records and Reports. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Richburg-Wirt Fire District (District) is located in the Towns of Wirt and Bolivar in Allegany County. It is a district corporation of the State, distinct and separate from the Towns, and is governed by an elected five-member Board of Fire Commissioners (Board). The Board is responsible for the overall financial management of the District including establishing appropriate internal controls and safeguarding assets.

The District Secretary/Treasurer (Treasurer) is the District's chief fiscal officer and is appointed by the Board. The Treasurer is responsible for the accounting of District funds and for preparing monthly and annual financial reports including the annual report to the Office of the State Comptroller (OSC) and the annual report of receipts and disbursements to the Town Clerks. As secretary she is responsible for recording the proceedings of Board meetings and for retaining custody of all District records. The District's budgeted appropriations for 2008 and 2009 were \$82,752 and \$95,672, respectively.

Objective

The objective of our audit was to examine the internal controls over the Treasurer's financial operations and address the following related question:

- Does the Treasurer maintain complete, accurate and timely records to properly account for, and report, financial activity?

Scope and Methodology

We assessed the District's internal controls over the Treasurer's duties and examined District financial records and reports for the period January 1, 2008 to November 13, 2009.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with the findings and recommendations and indicated that they would take corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the 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 this plan available for public review in the Secretary's office.

Financial Records and Reports

The Treasurer must maintain complete, accurate and timely records in order to properly account for all of the District's financial activities. The Treasurer is required to maintain adequate accounting records to document the receipt and disbursement of all District funds. These records serve as the basis for preparing periodic reports to the Board and required annual reports. As Secretary¹ she is also responsible for recording the proceedings of Board meetings, and for retaining custody of all District records, including, but not limited to, abstracts of audited claims, vendor invoices, and equipment bid documentation. To provide proper financial oversight, it is important for the Board to periodically monitor the Treasurer's performance and review her financial records and reports.

Records and Reports – The Treasurer did not maintain an adequate accounting system to record the District's receipts and disbursements. She did not maintain check registers, cash receipts and disbursements journals, revenue and expenditure classification ledgers, or general ledger accounts. She did prepare and submit monthly financial reports to the Board. However, the reports only included budgeted and actual expenditures and certificate of deposit balances. The reports did not include revenue information or bank account balances.² In addition, we found that the reported balances for certificates of deposit did not agree with actual balances for the District's certificates of deposit.

Because these reports were incomplete and inaccurate, the Board could not rely on these monthly reports to properly monitor and manage District finances. Without complete and accurate accounting records and reports, there is an increased risk that errors and irregularities could occur and not be detected and corrected in a timely manner.

Annual Financial Report – An annual financial report should be prepared and submitted to OSC, within 60 days after the close of the fiscal year. This report, known as the Annual Update Document (AUD) is an important fiscal tool which provides the Board with the financial information necessary to monitor District operations, and provides other interested parties with a complete summary of the District's financial activities. Properly completed and filed AUDs increase the transparency of the District's financial activity.

The last AUD submitted to OSC was for the 2002 fiscal year, which was filed on April 21, 2003. The Treasurer's failure to file the last

¹ The Treasurer also holds the position of Secretary.

² The District maintains a checking account, a general savings account, an ambulance repair reserve savings account, and invests in certificates of deposit.

six AUDs (2003-2008), with no action on the part of the Board, is a severe breakdown in the fiscal oversight provided by the Board.

Due to these significant deficiencies, we reviewed bank activity, including deposits and all transfers, withdrawals and check disbursements during our audit period. Due to the lack of basic accounting records and certain source documents, we were only able to establish the general propriety of the financial activity that occurred during this period. Certain source documents were not maintained by the District and available for review as follows:

- Supporting claims were not available for 16 checks written in May 2008, totaling \$5,333. As a result, there is an increased risk that purchases were made for other than District purposes.
- The District purchased an ambulance for \$108,000 in 2008. A down payment of \$39,789 was made and the remaining \$68,211 was financed with a seven-year lease totaling \$71,871. While the District publicly advertised for bids and received two bids, key documentation to support the award of this purchase contract and the resultant lease arrangement was not available for our review. The missing items included the bid specifications, the two bid submittals, an evaluation of the bid submittals, a copy of the lease agreement, and the computation of the financial benefit of the lease arrangement. Failure to fully document the evaluation of equipment purchases increases the risk that the District could have spent more than necessary.

The Board is responsible for the financial management of the District. Complete, accurate and timely financial information is essential for the Board members to properly manage these finances. The Board was not fulfilling this responsibility. The Board should have required appropriate financial information in order to monitor District finances. For fire district officials and other interested parties, the Comptroller developed an Accounting and Reporting Manual (ARM), which provides an overview of accounting and financial reporting principles to be used by fire districts to account and report their financial activities.

Recommendations

1. The Treasurer should develop an appropriate accounting system to maintain complete, accurate and timely financial records.
2. The Board should require the Treasurer to prepare and present comprehensive monthly financial reports to the Board so they can better monitor District finances.

3. The Board should ensure that the Treasurer prepare and file the required annual financial report with the Office of the State Comptroller, after review and approval by the Board.
4. The Treasurer should retain on file all financial records and supporting documents.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

Richburg-Wirt Fire District
PO Box 253
Richburg, NY 14774
February 13, 2010

Office of State Comptroller
110 State Street
Albany, NY 12236

To Whom It May Concern:

I would like to start by thanking the State Comptroller's Office for conducting an audit of the Richburg-Wirt Fire District. Thank you for pointing out our deficiencies so that we are able to correct them.

1.) The treasurer should develop an appropriate accounting system to maintain complete, accurate and timely financial records.

Response. The Richburg-Wirt Fire District has received our past treasurer and replaced with a new treasurer. The board has been working with the new treasurer to ensure the deficiencies are being done correctly and on time. The board will be more involved so that it knows more about what is happening with all monies and paper work.

2.) The board should require the treasurer to prepare and present a comprehensive monthly financial report to the board so they can better monitor district finances.

Response. The board has always required the treasurer to prepare comprehensive monthly reports. The auditor has helped the Richburg-Wirt Fire District to change our reports and make them better. I believe the board and the treasurer are all on the same page now.

3.) The board should ensure that the treasurer prepare and file the required annual financial report with the Office of the State Comptroller, after review and approval by the board

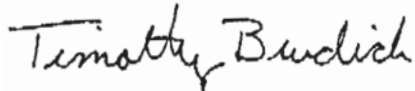
Response. The board was unaware that an annual financial report was to be prepared and sent to the State Comptrollers Office. The past treasurer had never done a report or even mentioned the report. The board and treasurer now are aware of this report and will work together to ensure that this report is prepared and filed on time.

4.) The treasurer should retain on fil all financial records and supporting documents.

Response. The board trusted that this was being done by the past treasurer. When the auditor came in and started looking for information, the board was not aware of the lack of documents. The board id going to implement a finance committee to better monitor financial and supporting documents.

In closing, on behalf of the Richburg-Wirt Fire District Board of Commissioners, and treasurer as well as taxpayers, I would once again like to say "Thank You" to your office for the audit and help to correct our past mistakes.

Sincerely,



Timothy Burdick
Chairman, Richburg-Wirt Fire District

February 13, 2010

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We examined the internal controls over the District's financial operations for the period January 1, 2008 through November 13, 2009. To accomplish our audit objective and obtain relevant audit evidence, we performed the following procedures:

- We interviewed appropriate District officials.
- We reviewed bank statements and canceled checks, abstracts of audited claims, vendor invoices, minutes of the proceedings of the Board, monthly reports to the Board, and copies of adopted budgets.

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.

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AND SCHOOL ACCOUNTABILITY

Steven J. Hancox, Deputy Comptroller
John C. Traylor, Assistant Comptroller

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