



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

STEVEN J. HANCOX
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

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To: Chief Fiscal Officers of Cities, Towns, Villages and Fire Districts that Sponsor a Length of Service Awards Program (LOSAP) for Volunteer Firefighters

From: Division of Local Government and School Accountability

Subject: Improved Financial Disclosure for LOSAPs and the New LOSAP Audit Requirements

Please provide copies of this bulletin to others who may need this information.

Purpose of this bulletin

The purpose of this bulletin is to provide LOSAP sponsors model notes that should be included with their annual financial reports. These notes will provide increased disclosure about the financial condition and operations of LOSAP's. In addition, these notes will provide a cost effective approach for fulfilling the new LOSAP audit requirements. The Office of the State Comptroller (OSC) has worked with the New York State Society of Certified Public Accountants (NYSSCPA) to develop this approach.

New LOSAP Note Disclosures

Two model notes are attached to this bulletin. One should be used for Defined Benefit Plans and the other should be used for Defined Contribution Plans. The purpose of these notes is to provide more complete and consistent disclosure of the financial position and operations of LOSAP's and meet the audit requirements mentioned below.

The information required to complete the Program Description section of either note can be obtained from your program documents. The remainder of the information needed to complete the Defined Contribution Plans note should be included on reports from your administrator. Information for completing the remainder of the Defined Benefit Plans note should come from the annual reports of your actuary and administrator.

LOSAP Audit Requirements

Chapter 620 of the Laws of New York, 2006, amends section 219-a of the General Municipal Law and now requires the sponsor or designated program administrator of a LOSAP to obtain an annual audit by an independent certified public accountant. A copy of the audit shall be presented to the program sponsor and to the State Comptroller. The audit requirements are effective for the program sponsor's fiscal year ending June 30, 2007 and thereafter. LOSAP audits must be completed within 270 days of the end of the sponsor's fiscal year. Due to other legislative requirements, fire districts that choose to fulfill this requirement by providing the appropriate service awards program note disclosure (referred to below) as part of the district's annual audited statements now have 180 days for completing the audit.

Fulfilling the LOSAP Requirements

LOSAP sponsors that **have their financial statements audited** by an independent certified public accountant can fulfill these new audit requirements by completing and adding the attached sample LOSAP note disclosures to their financial statements. Since the notes are an integral part of the financial statements, the auditor will evaluate the adequacy of the disclosures included in the LOSAP footnote thereby meeting the requirement for an audit of various aspects of the LOSAP.

LOSAP sponsors that **currently do not have their financial statements audited** by an independent certified public accountant should also complete the applicable LOSAP model footnote and include it with their financial statements. These sponsors have two options for fulfilling the new audit requirement. They may either:

- Have their financial statements audited by an independent certified public accountant. Since this audit will include the attached LOSAP note disclosures it will include an audit of the required aspects of the LOSAP

Or

- Have a separate LOSAP audit completed in accordance with the AICPA Audit and Accounting Guide for Employee Benefit Plans.

Sponsors may want to request proposals for both options and weigh the benefits of each proposal. In addition to a comparison of the costs, sponsors should also consider the potential benefits of the two options. An audit of just the LOSAP will likely include more testing of the LOSAP transactions but it will also require the sponsor to prepare or obtain separate financial statements for the LOSAP. An audit of the sponsor will provide testing of the controls and transactions of the sponsor as well as auditing the information contained in the LOSAP footnote and provide audited financial statements of the sponsor.

Additional Guidance

Links to additional audit guidance are available on the New York State Society of Certified Public Accountants website at http://www.nyscpa.org/prof_library/auditing.htm.

[Model Notes: Defined Benefit Plan](#)

[Model Note: Defined Contribution Plan](#)