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April 2017

Jared Whitley, Chairman
Members of the Board of Fire Commissioners
Schroon Lake Fire District
28 Industrial Drive
PO Box 456
Schroon Lake, NY 12870

Report Number: 2017M-9

Dear Chairman Whitley and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works to identify areas where fire district officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Schroon Lake Fire District (District), which addressed the following question:

- Were disbursements authorized, calculated accurately, supported by adequate documentation and made for appropriate purposes?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Schroon, in Essex County. The District's 2017 operating budget is \$335,000 and is funded primarily with real property taxes.

The Board of Fire Commissioners (Board) is composed of five elected members and is responsible for the District's overall financial management and safeguarding its resources. The elected Treasurer acts as the District's chief fiscal officer and is responsible for the receipt and custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial

reports and meeting any other reporting requirements. In addition to the Treasurer, the District employs a custodian and a cleaner.

We examined the internal controls over the District's disbursements process for the period January 1, 2015 through October 31, 2016. We interviewed District officials and reviewed financial records and Board minutes. We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Audit Results

To adequately safeguard money, the Board, in conjunction with the Treasurer, should establish and implement procedures to provide reasonable assurance that all disbursements are authorized, calculated accurately, supported by adequate documentation and made for appropriate purposes. Access to blank check stock should be limited and bank statements and canceled check images should be reviewed by an individual independent of the disbursements process. The Board should review and authorize disbursements prior to the processing of checks.

The Board did not always authorize disbursements prior to payments being made. Except for immaterial discrepancies that we discussed with District officials, disbursements were properly supported, accurate and made for appropriate purposes.

The Treasurer is responsible for preparing and making all disbursements, which include disbursements for payroll, bills and transfers among District bank accounts for cash flow purposes.¹ The Treasurer compiles all the bills submitted to the District and provides them to the Chairman, who reviews them to confirm that goods and services were received. The Chairman also reviews the bills' details (e.g., vendor names, amounts billed and date of bills) to ensure that the District has not already paid any of the bills.

For payroll disbursements, employees submit their timesheets² to the Treasurer to calculate hours worked and process the payroll. The Treasurer prepares a voucher to document each employee's gross and net pay and deductions for Social Security tax withholdings. The Treasurer attaches all timesheets to the voucher. The Treasurer also prepares a voucher for the employees' and the District's share of Social Security taxes. The Treasurer and one Commissioner are the signatories on the District's bank accounts, and the checks only require one signature. The check stock is maintained in a locked filing cabinet in the Treasurer's locked office.

The Treasurer prepares a warrant³ on a monthly basis. The Treasurer then provides the Board with the warrant, along with the corresponding bills, payroll voucher and timesheets, for review and authorization to process payment. The Board approves the warrant at its monthly meeting and

¹ The District has three bank accounts: a checking account, a savings account and a reserve account.

² Timesheets were prepared by the cleaner and custodian for our entire audit period and were also prepared by the Treasurer until October 2015, when she became a salaried employee and stopped completing a timesheet.

³ A list of bills and payroll vouchers to be paid

passes a resolution to approve disbursements. The Treasurer prepares and signs checks to be disbursed for bills and payroll.

We reviewed all 567 withdrawals and disbursements made by checks, and their supporting documentation, totaling approximately \$1.5 million during our audit period. We found all withdrawals were appropriate and made for the purpose of transferring money between District bank accounts. Additionally, except for immaterial discrepancies that we discussed with District officials, disbursements were properly supported, accurate and made for appropriate purposes. However, we found disbursements made to pay bills were not always authorized prior to payment. We found 107 disbursements totaling \$57,670 were made prior to Board authorization. For example, a disbursement for fire truck repairs in the amount of \$16,000 was made 47 days prior to the Board's authorization. Another disbursement for testing fire hoses in the amount of \$5,200 was made 22 days prior to the Board's authorization.

While the majority of disbursements were authorized prior to payment, when disbursements are made prior to Board authorization, there is an increased risk that District moneys could be used for inappropriate or unauthorized purposes.

Recommendations

District officials should:

1. Implement a process to ensure all disbursements are authorized, calculated accurately, supported by adequate documentation and for appropriate purposes.

The Treasurer should:

2. Ensure no claims against the District, other than those allowed under New York State Town Law,⁴ are paid prior to the Board's authorization.

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. The Board should make the CAP available for public review in the Secretary's office.

⁴ The Board may, by adopting a resolution, authorize payment in advance of audit for claims for public utility services (light and telephone), postage, freight and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

We thank the officials of the Schroon Lake Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

SCHROON LAKE FIRE DISTRICT



BOARD OF FIRE COMMISSIONERS ♦ P.O. Box 456, Schroon Lake, N.Y. 12870-0456
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State of New York

Office of the State Comptroller

110 State Street

Albany, New York 12236

To the Office of the State Comptroller:

Upon review of Audit Results presented to the Members of the Board of Fire Commissioners, the Board understands and acknowledges the corrections that need to be made in order to adequately safeguard the money disbursed by the Board. The processes to issue payouts of payroll for personal will be reviewed and a Corrective Action Plan will be provided. In addition, the Board will clarify, in the Corrective Action Plan, the processes to payout to vendors providing products and services. The Board has already, by adopting a resolution at a previous meeting, authorized payment in advance of audit for claims for public utility services, postage, freight and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit. This will be noted in our CAP as well.

Sincerely,

Jared Whitley

Chairman, Board of Fire Commissioners