

# Lyndon Fire District

## Disbursements

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**NOVEMBER 2022**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
**Thomas P. DiNapoli, State Comptroller**

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# Report Highlights

## Lyndon Fire District

### Audit Objective

Determine if the Lyndon Fire District (District) Board of Fire Commissioners (Board) provided adequate oversight to ensure disbursements were authorized, supported and for appropriate District purposes.

### Key Findings

Aside from minor exceptions, disbursements were authorized, supported and for appropriate District purposes. However, the Board could improve oversight of and internal controls over disbursements. The Board:

- Did not properly segregate the disbursement duties or implement adequate mitigating controls, and it did not properly review disbursement activity.
- Could not explain what specific procedures its reviews of financial reports included.

Because the Board did not properly review disbursement activities, there is an increased risk for unauthorized and inappropriate transactions.

### Key Recommendations

- Segregate incompatible duties or establish adequate mitigating controls.
- Become familiar with the resources listed in Appendix C of this report for training opportunities.

District officials agreed with our findings and indicated they would initiate corrective action.

### Background

The District provides fire protection and emergency services to the Town of Lyndon.

The District is a district corporation of the State, distinct from the Town of Lyndon in Cattaraugus County.

An elected five-member Board governs the District and is responsible for its overall financial management.

An elected Treasurer is the chief fiscal officer and is responsible for receiving, maintaining custody of, disbursing and accounting for District funds. During our audit period, two Treasurers served the District. Treasurer A served for all of 2021. Treasurer B began serving the District on January 1, 2022 and continues to hold this position.

#### Quick Facts

2022 Appropriations	\$71,216
Disbursements Paid During Audit Period	\$82,179

### Audit Period

January 1, 2021 – August 12, 2022

# Disbursements

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## How Should a Fire District Board Oversee Disbursements?

A fire district board (board) is responsible for overseeing a fire district's financial activities and safeguarding its assets. To fulfill this duty, it should ensure that duties are properly segregated so that no one person controls all aspects of a financial transaction. For example, no one person should pay claims, record transactions, prepare financial reports and reconcile bank statements. If this is not possible, a board should implement mitigating controls such as requiring two signatures on checks and ensuring someone independent of the disbursement process reviews the bank statements, canceled check images, electronic transfers and bank reconciliations on a regular basis. It is also important that a board provide oversight by reviewing monthly financial reports. A fire district treasurer must also account with a board for all money received and disbursed during the preceding fiscal year and produce all books, records, receipts and canceled check images for examination.

With limited exceptions, a board is required to audit and approve all claims before payment. The audit should be a deliberate and thorough review of individual claims before funds are disbursed. To properly approve claims for payment, a board must ensure that each claim contains sufficient supporting documentation, including itemized receipts or invoices, to determine whether the amounts claimed represent valid fire district expenditures and comply with board-adopted policies. An adequate claims audit can help ensure that public money is being spent and handled properly, identify conditions in need of improvement, and provide oversight and review of the fire district's disbursements process.

## Board Oversight and Controls Over Disbursements Could Be Improved

We reviewed all disbursements made from January 1, 2021 through May 31, 2022, consisting of 125 claims totaling approximately \$82,000, to determine whether disbursements were properly authorized, supported and were for appropriate District purposes. Aside from immaterial discrepancies which we discussed with District officials, we determined that all transactions reviewed were properly authorized, supported and were for appropriate District purposes.

However, the Board did not properly segregate the disbursement duties or implement adequate mitigating controls. As a result, both Treasurers had complete control over the cash disbursement process with limited oversight from the Board. The Treasurers had the ability to perform all aspects of a disbursement transaction including preparing and being the only signatory for checks, transferring funds electronically between bank accounts, preparing bank reconciliations and maintaining the accounting records without the involvement of any other official.

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[T]he Board did not properly segregate the disbursement duties or implement adequate mitigating controls.

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While both Treasurers presented claims to be paid each month for audit and approval by the Board prior to payment being paid, no one independent of the disbursement process reviewed bank reconciliations or compared canceled check images against Board-approved claims to ensure only those claims audited and approved by the Board were paid. The Board Chairwoman told us that she felt that the Board had implemented adequate compensating controls. She stated that she and the Board review the Treasurer's financial reports and bank statements monthly for all District accounts. She also told us that the Board performs an annual audit of the Treasurer's records as required.

While the monthly District meeting minutes indicated that the Board accepted the Treasurers' monthly financial reports, and that the annual audit of the Treasurer's records was conducted, neither the Chairwoman, nor two other Board members we spoke with could explain to us what specific procedures their monthly reviews included, or what they should specifically be looking for when conducting these reviews or the annual audit. The Chairwoman told us that she and the other Board members were not financial experts, and that they were unaware of what a proper review would include because they had not received the appropriate training for conducting such reviews. However, every fire commissioner who is elected, reelected, appointed or reappointed is required to attend and complete mandatory training which covers fiduciary responsibilities. Although each Board member completed the required training, they could not recall the information covered in the training and some had not taken the course since being first elected. In addition, they were not aware of the guidance<sup>1</sup> available from our Office.

Even though we found only minor issues with disbursements reviewed, not properly segregating duties or establishing adequate compensating controls, and not performing an adequate review of financial records, increases the risk for unauthorized and inappropriate transactions to occur and go undetected.

## What Do We Recommend?

The Board should:

1. Ensure that the Treasurer's cash disbursement functions are adequately segregated, or that adequate mitigating controls are in place such as:
  - Ensuring that all checks prepared by the Treasurer are countersigned.

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<sup>1</sup> The Office of the State Comptroller has multiple guides available at [www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications) entitled *Local Government Management Guides* published to assist local governments with their oversight responsibilities.

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- Requiring that someone other than the Treasurer review the bank statements, canceled check images and bank reconciliations to ensure only approved, legitimate expenditures are paid.
2. Complete the mandatory training required for fire commissioners, review the resources listed in Appendix C of this report for training opportunities and publications to enhance its skills for its fiscal monitoring responsibilities.

# Appendix A: Response From District Officials

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Lyndon Fire District  
Board of Fire Commissioners  
Lyndon, NY

24 October 2022

Melissa A. Myers  
Chief Examiner  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Dear Ms. Myers,

We are in receipt of the draft audit report 2022M-132 regarding the Determination if the Lyndon Fire District (District) Board of Fire Commissioners (Board) provided adequate oversight to ensure disbursements were authorized, supported and for appropriate District purposes. We appreciate the review and the findings that will assist us in improving our financial oversight responsibilities. We are pleased that the audit did not find any fraud, theft, or misuse of funds.

It is important to note that while there were no inappropriate transactions, there were some additional mitigating controls that should have been used. Also of note is that there are additional resources the Board should be familiar with for training purposes to improve their processes.

We are currently thoroughly reviewing the audit report and we will submit a corrective action plan that will include improved and new policies. Also, as we discussed, the Treasurers position is currently an elected one. We appreciate the professionalism and thoroughness of the Audit personnel who explained the process and provided us with examples and resources to improve our performance as elected officials.

Sincerely,

Chairperson  
Nicole L. Hall

## Appendix B: Audit Methodology and Standards

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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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Board meeting minutes, financial records and reports to gain an understanding of the disbursement processes and Board oversight.
- We reviewed all disbursements listed on District bank statements between January 1, 2021 and May 31, 2022 against supporting documentation and meeting minutes to determine whether disbursements were authorized, supported and for appropriate District purposes.

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.

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

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/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.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

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**BUFFALO REGIONAL OFFICE** – Melissa A. Myers, Chief Examiner

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: [Muni-Buffalo@osc.ny.gov](mailto:Muni-Buffalo@osc.ny.gov)

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