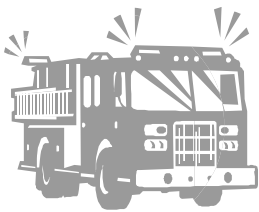




Fire District Audits – Its Their Turn

First school districts, then public authorities, now fire districts. In what seems to have started with the Roslyn School District scandal, New York State has now mandated that all fire districts with revenues of over \$200,000 be audited annually by an independent auditor. In the words of New York State, “the annual audit gives the Board an opportunity to monitor the District’s fiscal records and procedures. It helps to assure the Board members that the District’s financial records and reports contain reliable information on which to base sound management decisions. An audit also provides independent verification that the Treasurer maintains records in accordance with established procedures, and properly records transactions, and accounts for cash.”

If your District has a Length of Service Award Program (LOSAP), that program will need to be audited as well for a “clean” opinion to be rendered. Because so many Districts will now need to be audited and the audits must be submitted to the Office of the State Comptroller within 180 days after the end of your fiscal year, you should begin your Request For Proposal (“RFP”) process now. You should be prepared to write a corrective action plan as required, as well, based on any audit findings. Though the new law does not require audit firm rotation, requesting bids every 3 to 5 years is a good idea for the District and its constituents.



We work with several fire districts and would be pleased to respond to your RFP or answer any questions you may have.

Audit Thyself

A reminder that New York State municipal law requires that Town and Village boards annually audit the books of the Justice Court, Tax Collector, and Town/Village Clerk. These audits are required to be documented in your Board minutes. In November 2005, the State of New York Unified Court System issued an *Action Plan for the Justice Courts*. This plan is a result of an audit of 32 Justice Courts in which 11 were found to have mishandled funds. The plan improves accountability and controls over Justice Court finances and records and will *make* you perform this annual audit. The Unified Court System is now requesting copies of your most recent audit of the court records and a copy of the board resolution acknowledging that this annual audit has been

completed. They are also requesting a written report of any findings.

The Town/Village board can perform this annual audit itself or can hire an independent CPA. New York State is taking this examination more seriously than it has before; it will have to be done.

GASB 45: Ready or Not

In the past, governmental entities have financed retiree post-retirement benefits on a pay-as-you-go basis with no accounting for accumulating costs. GASB 45 will force governmental entities that offer post-retirement benefits to report these costs annually. However, GASB 45 does not mandate that funds be immediately available to cover those costs. Governmental entities will be required to hire an actuary every 1-3 years to determine these costs and report them to their auditors. For the majority of governmental entities, compliance will begin at the end of the first fiscal year ending after December 15, 2008.

GASB 45 will compel entities to decide if they will fund these liabilities now, later, or never. For the first time, taxpayers will be aware of these future obligations. Entities will be forced to deal with this issue beyond hiring an actuary. Recording this liability will have a far-reaching effect, the least of which will be on an entity’s credit rating when it becomes clear that there may not be funds to pay these future obligations.

We recommend getting an actuarial calculation now, so you are prepared and can review your benefit plans and adjust them, if desirable.

STOP THIEF!

Many thefts are discovered by you or your employees, not by your auditor. The common misconception is that an audit will detect fraud, when in fact the purpose of an audit is not to detect fraud at all. It may, however, help to deter or uncover a fraud. There are steps that you can take to strengthen your internal controls and deter a theft.

- **Conduct background checks on prospective personnel.** No matter how well you know your new deputy clerk, water clerk, court clerk, or highway laborer, you must conduct background checks. Check references and have employees bonded if they will work in your financial functions.
- **Bank and credit card statements should be sent directly to the Supervisor/Mayor.** If you must have credit cards, someone

other than the person writing the checks should receive the monthly statements first. Review them for inappropriate charges; all charges should have a credit card slip to match. Employees must turn in credit card slips. Credit cards are a *great* place to commit a theft. If you must have them, you must control them.

- **Review check request documentation.** Before checks are signed, vouchers, invoices, and purchase orders should all be compared. All too often, vendors are paid off a statement rather than the original invoices. Its too easy to buy something for yourself when you know no one will demand appropriate documentation.
- **Monitor cash receipts and deposits.** Someone not responsible for recording activity in the accounting records should receive the mail, note the checks or cash received, then turn them over to the person responsible for deposits. When bank statements are reviewed, these independent records should be compared to the deposits posted.
- **Reconcile accounts payable and receivable monthly.** Review balances each month to make sure they agree to other records and clear exceptions.
- **Verify first-time vendors.** Someone independent of the actual purchaser should call new vendors to verify name, address, federal tax identification number, and their understanding regarding your tax-exempt status.
- **Restrict authorization and access to finances.** It goes without saying that your cleaning person should not have keys to the safe or the password for online access to bank accounts. Think carefully as to who really needs access to sensitive information, including sensitive employee information. We are all aware of the dangers of letting social security numbers fall into the wrong hands.
- **Make vacations mandatory.** Thieves do not like to take vacations. If they go on vacation, someone else will have to handle their responsibilities and the chances of getting caught by a co-worker are great. Make sure all employees are subject to the same fair and equitable policy of taking regularly scheduled vacations.
- **Watch employee behavior.** Changes in behavior are a big indicator that something is wrong. Watch those with personal issues at home, who seems to be living beyond their means, has high personal debt, medical bills for themselves



or a family member, substance abuse, gambling, etc. Also, watch those who are expressing a strong dissatisfaction with their job.

- **Talk to your employees.** Statistically your chances of catching inappropriate behavior is

increased when you take the time to talk to your employees. Most of the time someone knows of inappropriate behavior but does not say anything unless asked.

- **Start at the top.** Create an environment where ethical behavior is the norm not the exception. The Board and Supervisor/Mayor are the example which employees follow. Create an open-door policy so everyone feels they can speak freely without repercussions.

Not everyone you employ is a thief-in-waiting; however, you must always be vigilant. Taking prudent steps to fulfill your fiduciary duty should never be seen as anything more than doing the job for which you were elected.

Our Audit Team is Changing

We are pleased to announce the addition of Patricia Lough to our team! Patti graduated from SUNY Binghamton in May and will be taking the CPA exam soon. We are very excited to have her join us and know you will enjoy working with her.

Our Firm

Gray Certified Public Accounting, P.C. has the professional qualifications and experience to provide the prompt, capable service you expect from a CPA firm at the reasonable cost upon which you insist. We do this by employing experienced people who are able to work quickly and efficiently. We are flexible and structure every engagement to meet our client's needs, while intruding minimally on your normal functions.

We annually audit Towns, Villages, and other government entities, including libraries, economic development agencies, and water conservation districts. We have performed many local government audits including government-wide single audits, Department of Housing and Urban Development grant program audits, Rural Development grant program audits, Federal Emergency Management Assistance program audits, New York State grant program audits, and audits and internal control reviews of the Justice Court, Town Clerk, Tax Collector, and Bookkeeper functions. We can be of service to you in performing your annual audit and in making recommendations to improve your financial management and internal controls. We happily provide references!

We have been Peer-Reviewed many times and continuously receive complimentary reports from the American Institute of Certified Public Accountants.

Our audit team members are participants in the Town Finance Association of Monroe County, the American Institute of Certified Public Accountants, and the New York State Society of Certified Public Accountants.

If we can be of any assistance or answer any questions, please call Dawn M. Minemier, CPA at (585) 262-5090, ext. 220.