



Plattekill #1 Fire District

Internal Controls Over Financial Operations

Report of Examination

Period Covered:

January 1, 2013 — January 14, 2014

2014M-282



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2015

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 Commissioner 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 Plattekill #1 Fire District entitled Internal Controls Over Financial Operations. 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 New York State 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Plattekill #1 Fire District (District) is a district corporation of the State, distinct and separate from the Town of Plattekill, Ulster County and Town of Newburgh, Orange County. The District provides approximately 16,900 residents with fire protection and rescue services.

The District is governed by an elected five-member Board of Fire Commissioners (Board) which is responsible for the District's overall financial management. The Board is responsible for establishing appropriate internal controls over District operations and recordkeeping, monitoring internal controls to ensure that assets are properly safeguarded and ensuring that financial transactions are executed in accordance with statutory and managerial authorization.

The District Treasurer (Treasurer) serves as the chief fiscal officer and is responsible for the receipt, custody, disbursement of and accounting for District funds, recording the District's financial activities in the accounting records, and financial reporting. The District's budgeted expenditures for fiscal year 2014 total \$780,000.

Scope and Objective

The objective of our audit was to determine if District officials provided adequate oversight of the District's financial operations for the period January 1, 2013 through January 14, 2014. Our audit addressed the following related questions:

- Is the Treasurer maintaining accurate and timely financial reports?
- Did the Board perform a quality review of claims?
- Did the District obtain goods and services at the lowest cost possible?

Audit Results

The Treasurer collected receipts totaling \$1,362,710 during 2013 but did not issue any press-numbered duplicate receipts for these moneys and did not record the dates in which moneys were received. The Treasurer did not submit monthly reports to the Board in a timely manner, and the submitted reports were inaccurate. For example, the February 2013 Treasurer's report recorded disbursements totaling \$22,712, but the detailed list of payments totaled \$24,519. The Treasurer had not performed bank reconciliations for the first nine months of 2013 and had only begun to prepare them in October 2013. Therefore, the Treasurer did not provide bank reconciliations to the Board. In addition, the Treasurer did not account for all moneys received and disbursed during the preceding year. Because the Treasurer

did not accurately account for the District's finances, the risk is increased that errors or irregularities could occur without being detected.

The Board did not perform a quality audit of vouchers and did not ensure that all claims were permissible District expenses. The Board did not perform a thorough review of vouchers prior to payment to ensure that proper approvals and adequate supporting documentation were attached. We reviewed 20 vouchers totaling \$18,354 and determined that all had at least one deficiency. Further, no one prepared a claims abstract for the Board's review and gas purchases were not supported with documentation to ensure that they were appropriate District expenditures. As a result of these deficiencies, the Board did not have adequate assurance that goods and services were purchased at the lowest cost, actually received and for proper District purposes.

The District paid five professional services providers \$30,037 during the audit period. The District did not select three of these providers through a competitive process. Further, the District did not have written contracts with four providers who were paid \$23,037. In addition, 10 purchase orders totaling \$23,921 did not have the required number of quotes per the District's procurement policy. Not adhering to the District's procurement policy may limit the District's ability to procure quality goods and services at the lowest prices. Further, the Board Chairman had a prohibited interest in a contract between the District and a general store, which the Chairman owns. The District made payments totaling \$1,716 to this store during the 2013 fiscal year.

Comments of District Officials

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 generally agreed with our recommendations and indicated they plan to initiate corrective action.

Introduction

Background

The Plattekill #1 Fire District (District) is a district corporation of the State, distinct and separate from the Town of Plattekill, Ulster County and Town of Newburgh, Orange County. The District has two firehouses and covers 23 square miles, which includes all of the Town of Plattekill and a portion of the Town of Newburgh. The District provides approximately 16,900 residents with fire protection and rescue services.

The District is governed by an elected five-member Board of Fire Commissioners (Board), which is responsible for the District's overall financial management. The Board is responsible for establishing appropriate internal controls over District operations, monitoring internal controls to ensure that assets are properly safeguarded and ensuring that financial transactions are executed in accordance with statutory and managerial authorization. The Board Chairman is a member of the Board and serves as the District's chief executive officer. The Chairman and the Board are responsible for the District's overall governance.

The District Treasurer (Treasurer) serves as the chief fiscal officer and is responsible for the receipt, custody, disbursement of and accounting for District funds, recording the District's financial activities in the accounting records, and financial reporting.

The District's budgeted appropriations for 2014 total \$780,000 and are funded primarily with real property taxes. The District accounts for its expenditures in the general fund.

Objective

The objective of our audit was to determine if District officials provided adequate oversight of the District's financial operations. Our audit addressed the following related questions:

- Is the Treasurer maintaining accurate and timely financial reports?
- Did the Board perform a quality review of claims?
- Did the District obtain goods and services at the lowest cost possible?

**Scope and
Methodology**

We interviewed District officials and examined the District’s financial records and internal controls for the period January 1, 2013 through January 14, 2014.

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 is 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 generally agreed with our recommendations and indicated they plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report should 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.

Treasurer's Reports

The Treasurer is responsible for accounting for District funds and keeping the Board apprised of the District's financial position. To properly account for District revenue, the Treasurer should issue press-numbered duplicate receipts for moneys received. New York State Town Law (Town Law) also requires the Treasurer to deposit moneys in the District's official bank account within 10 days of receipt. The Treasurer should prepare financial reports, such as budget status reports, to provide the Board with information about year-to-date revenues and expenditures compared to budget estimates. The Treasurer's monthly report to the Board should, at a minimum, provide sufficient details such as a list of the claims and amounts to be paid and accurate cash balances. Bank reconciliations help to ensure that the District's accounting records are in agreement with the bank's records and that the District's cash receipts and disbursements are accounted for properly. It is important for bank reconciliations to be prepared or reviewed by someone who does not maintain accounting records or have access to the District's bank accounts. At the annual organizational meeting, the Treasurer is required to account to the Board for all moneys received and disbursed during the preceding year and provide all books, records, receipts, vouchers and canceled checks for review.

The Treasurer did not use press-numbered receipts and did not deposit receipts collected on a timely basis. The Treasurer also did not prepare timely, accurate monthly financial reports for the Board's review, complete bank reconciliations, or submit an accounting of the District's financial activities to the Board at the annual organization meeting. As a result, the District is at an increased risk of errors and irregularities occurring without detection.

Cash Receipts – The Treasurer collected 15 receipts totaling \$1,362,710 during fiscal year 2013; however, she did not issue any press-numbered duplicate receipts for these moneys and did not record the dates in which funds (cash and checks) were received. We randomly selected seven deposits totaling \$337,171 and found that two checks totaling \$3,659 were deposited between three and 18 days after the check date. Two checks totaling \$8,709 took up to 26 days to be deposited.

Inadequate cash receipts accounting records and the lack of duplicate press-numbered receipts increases the risk that District moneys are not deposited in a timely manner, and errors or irregularities could occur and remain undetected and uncorrected.

Treasurer's Monthly Reports – The Treasurer did not submit timely financial reports to the Board, and the reports contained errors. We reviewed the eight monthly reports the Treasurer submitted to the Board that were available during our fieldwork (January through August 2013) to determine if the Treasurer provided adequate financial information to the Board. Two of these reports (March and April) did not include a detailed list of disbursements the Treasurer made during the month, and three reports (February, March and April) did not reconcile to the detailed list of disbursements. For example, the February Treasurer's report showed total disbursements of \$22,712; however, the detailed disbursement list showed total disbursements of \$24,519. In addition, four reports (February, April, July and August) did not include a budget-to-actual report. The Treasurer could not provide an explanation for the difference in the February report or why the reports did not include budget-to-actual amounts. Without accurate financial reports, the Board's ability to effectively manage and monitor the District's financial activities is limited.

Bank Reconciliations – The Treasurer did not perform bank reconciliations for the first nine months of 2013 and had only begun to prepare bank reconciliations in October 2013. Although the Treasurer had not performed bank reconciliations, the Chairman told us that a designated Board member reviews and signs off on the monthly bank statements to monitor the District's financial activity. The Commissioner responsible for these reviews was unable to provide us with evidence that he completed them.

We examined and re-performed the October, November and December 2013 bank reconciliations to verify accuracy. Except for a minor discrepancy which we discussed with District officials, we determined that the reconciliations were performed accurately.

Without monthly bank reconciliations, the Board does not have assurance that the District's accounting records are in agreement with the bank's records and that the District's cash receipts and disbursements are accounted for properly. In addition, because the Treasurer can initiate transactions, make accounting entries and perform bank reconciliations, there is a risk that she could initiate and conceal inappropriate transactions without detection.

Annual Audit – The Treasurer did not account for all moneys received and disbursed during the preceding year at the annual organizational meeting because the Board did not require her to do so. According to the Chairman, the Board did not require the Treasurer's accounting because it relied on the external auditor's annual audit of the District's finances, as well as the monthly Treasurer's report. However, as previously discussed, the Treasurer did not submit timely monthly

reports to the Board, and the reports contained errors. Consequently, the Board's failure to ensure that the Treasurer provides the annual accounting of District funds has diminished its ability to properly monitor the District's financial operations and increases the risk that errors or irregularities could occur and remain undetected and uncorrected.

Recommendations

The Treasurer should:

1. Issue press-numbered duplicate receipts for moneys received by the District.
2. Maintain detailed records of when funds have been received to ensure accountability and timely deposits.
3. Make deposits within 10 days in accordance with Town Law.
4. Present accurate financial reports to the Board, including a budget status report and list of detailed payments that reconciles to the Treasurer's report.
5. Perform timely and accurate bank reconciliations and present them to the Board.

The Board should:

6. Review the Treasurer's monthly report for accuracy.
7. Perform a thorough review of the monthly bank statements in a timely manner.
8. Periodically review the Treasurer's records and reports to assess completeness, accuracy and timeliness.
9. Perform an annual audit of the Treasurer's books and records and require the Treasurer to submit a statement of receipts and disbursements.

Claims Processing

The Board is responsible for ensuring that cash disbursed for claims is for proper District purposes. The Board should perform a thorough audit of claims before they are paid to ensure that District funds are used for only legitimate District expenditures and are adequately supported.

The Board did not ensure that all claims were proper District expenditures. We reviewed 20 vouchers totaling \$18,354 and determined that all had at least one deficiency. Further, no one prepared a claims abstract for the Board's review, and gas purchases were not supported with documentation to ensure that they were appropriate District expenditures. These deficiencies occurred because the Board did not establish adequate controls over claims processing. Specifically, the Board has not adopted policies and procedures to guide employees when making purchases and handling claims. As a result, the risk is increased that District funds could be expended for non-District purposes.

Claims Audit

The audit of claims should entail a thorough and deliberate examination to determine whether each claim is a legal obligation and proper charge against the District. As a general rule, a voucher package should contain enough detail and documentation so that the auditing body or official is supplied with sufficient information to make that determination. This would include itemized vouchers, supported by appropriate original documentation, accurately calculated and approved by the Board. In addition, vouchers should be consecutively numbered, and the total amount of the claims authorized to be paid should be listed on a certified abstract and documented in the Board minutes.

The District made 457 payments totaling \$1,430,176 during the audit period. We reviewed 20 voucher packets¹ with payments totaling \$18,354 and found that all contained one or more deficiencies:

- None of the vouchers were numbered.
- None of the vouchers had a corresponding purchase order.
- None of the vouchers were listed on a certified claims abstract.

¹ See Appendix B, Audit Methodology and Standards, for details on our sample selection.

- Ten vouchers with payments totaling \$11,310 were not itemized.
- Seven vouchers with payments totaling \$4,634 did not contain a receiving slip.
- Four vouchers with payments totaling \$2,110 were not supported with appropriate original documentation.

The Treasurer told us that she did not completely understand claims processing and was not adequately trained by the Board. For example, she was not aware that maintaining numbered vouchers is a good internal control. In addition, District officials were unable to explain why claims abstracts were not prepared to be certified by the Board. As a result of these deficiencies, the Board did not have adequate assurance that goods and services were purchased at the lowest cost, actually received and for proper District purposes. In addition, without abstracts that list claims approved for payment, the risk increases that unauthorized disbursements could be made.

Gas Cards

To ensure that individuals are aware of their responsibilities pertaining to credit card use, the Board should establish a policy that describes the appropriate use of credit cards and the procedures for monitoring card use. It is important that the policy identify the individuals who are authorized to use the credit cards, describe the types of purchases allowed, stipulate the documentation required to support the purchases and address the methods to recover moneys from improper use. The Board is responsible for ensuring that all transactions on the District's gas card billing statements are reviewed to verify that charges are supported by adequate documentation and are legitimate.

The Board has not created a gas card policy that describes the appropriate use of credit cards and the procedures for monitoring their use. We reviewed all 12 payments for gas card use totaling \$14,790 made during the audit period. The Board authorized all 12 payments even though none of the vouchers contained receipts for the gas purchases. According to the Chairman, the Board reviews the monthly gas card statements but does not require receipts to be submitted to compare against the card statements to verify that gas purchases are for legitimate District purposes. The absence of a formal gas card policy and sufficient monitoring of card use exposes the District to abuse and paying for non-District expenses.

Recommendations

The Board should:

10. Conduct a proper audit of claims and ensure that all vouchers are numbered, properly itemized, show evidence of department head approval and include original supporting documentation.
11. Adopt a formal policy and develop written procedures regarding use of District gas cards.
12. Compare monthly gas card statements to gas receipts to ensure that charges are valid and purchases are for proper District purposes.

The Secretary should:

13. Prepare and sign an abstract that is directed to the Treasurer to certify the number and the amount of claims to be paid by the District.

The Treasurer should:

14. Record details of claims approved for payment by the Board in the Board minutes.

Purchasing

District officials are responsible for ensuring that they use taxpayer resources as economically as possible by procuring goods and services in compliance with General Municipal Law (GML) and District policies. GML requires the Board to adopt written purchasing policies and procedures that provide guidance for determining when items must be competitively bid. GML also requires that the Board explain the procedures the District must follow when obtaining goods and services that do not have to be competitively bid. The Board is responsible for ensuring that the District procures the desired quality and quantity of goods and services at the lowest cost, in compliance with District policies and legal requirements. To accomplish this, it is important that District officials seek competition and/or use State and county contracts when available. The use of competition provides taxpayers with the greatest assurance that goods and services are procured in the most prudent and economical manner, that goods and services of desired quality are being acquired at the lowest possible prices, and that procurement is not influenced by favoritism, extravagance, fraud or corruption.

District officials did not use a competitive process to hire three professional services providers who were paid \$15,297 during our audit period. District officials also did not obtain the required number of competitive quotations for 10 purchases totaling \$23,921. Further, in fiscal year 2013 the District made \$1,716 in purchases from a Commissioner's store. The Commissioner had a prohibited interest in this contract with the District. As a result, District officials have no assurance that goods and services are procured in the most prudent and economical manner, goods and services of desired quality are being acquired at the lowest possible prices, and procurement is not influenced by favoritism, extravagance, fraud or corruption.

Professional Services

GML requires that purchases not required by law to be competitively bid must be procured in a manner to ensure prudent and economical use of public moneys in the best interest of taxpayers. Purchases of goods and services should be of maximum quality at the lowest possible cost while guarding against favoritism, improvidence, extravagance, fraud and corruption. It is also important for the Board to enter into written agreements with professional service providers to provide for and ensure an understanding of the services to be provided and the basis for payment. A formal Board resolution may also serve this purpose.

The District's procurement policy states that professional services or services requiring special or technical skill, training or expertise must be chosen based on accountability, reliability, responsibility, skill, education and training, judgment, integrity and moral worth. The procurement policy requires that documentation is required for each action taken with each procurement.

District officials did not comply with the documentation requirements in the District's procurement policy. During the audit period, the District made 14 payments to five professional services providers totaling \$30,037. Ten of the 14 payments, totaling \$15,297, were made to three professional service providers who were not selected through a competitive process, as detailed below.

- Eight payments totaling \$12,355 were for general legal counsel.
- One payment totaling \$2,120 was for map surveying services.
- One payment totaling \$822 was for legal services specifically relating to a personal injury case.

Although the District's procurement policy contains a provision that states it may not be in the District's best interest to solicit quotations for professional services providers, the policy requires documentation for each action taken in connection with each procurement. Further, 13 of the 14 payments reviewed, totaling \$23,037, were made to four professional services providers with whom the District did not have a written contract. These services were general and specialized legal services, map surveying services and medical services.

According to District officials, they did not procure general legal counsel services through a competitive process because they had a long-standing relationship with the provider; however, they did not have written documentation of this decision. In addition, the District does not have a written contractual agreement with this service provider. District officials were unable to provide an explanation or documentation as to why they did not use a competitive process to select the other vendors or why they did not enter into written contractual agreements with the service providers.

By not selecting professional service providers through a competitive process, District officials are not assured that the services have been procured at the lowest possible cost and may be unable to guard taxpayer resources against favoritism, improvidence, extravagance, fraud and corruption. The absence of contractual agreements to provide for and assure an understanding of the services to be provided

and the basis for payment hinders the Board's ability to ensure that District moneys are expended for the services procured at the agreed-upon price.

Competitive Quotations

The District's procurement policy requires officials and employees to obtain three written or fax quotations or written proposals with a purchase order for purchases up to \$500. Purchases between \$501 and \$9,999 require Board approval, a purchase order and three written or fax quotations or written proposals with the purchase order. The policy states that a good faith effort should be made to obtain the required number of proposals or quotations. If the purchaser is unable to obtain the required number of proposals or quotations, the purchaser must document the attempts made at obtaining proposals. The Board should approve purchase order amounts and document them in the Board minutes. Purchase orders should not exceed the amounts approved by the Board.

We reviewed all 11 purchase orders totaling \$42,619 that were issued during the audit period and found that all had one or more deficiencies:

- The Board did not formally approve the purchase contract awards in the minutes for 10 purchase orders totaling \$40,499.
- Ten purchase orders totaling \$23,921 did not have the required number of quotations.
- Nine purchase orders totaling \$41,194 were not preapproved by the Board.
- Two purchase orders totaling \$20,819 had payments exceeding the amounts that the Board approved.
- One purchase order totaling \$4,500 was not approved by the Board at all.

The Treasurer told us that she handles quotes for non-fire equipment and the Fire Chief is responsible for obtaining quotes for District fire equipment. The Treasurer told us that the purchase deficiencies occurred because she was not adequately trained for the Treasurer position, including handling District purchases. The Board's failure to enforce adherence to the District's procurement policy limits its ability to ensure that the District procures the desired quality and quantity of goods and services at the lowest cost, in compliance with District policies and legal requirements, and could result in the District paying more for goods and services than necessary.

The District's audited financial report for 2012 included findings regarding District officials' failure to comply with the procurement policy regarding gathering the required number of quotations. According to Town Law, the District is required to prepare a written corrective action plan to address the external auditor's findings within 90 days. The Board did not prepare a written corrective action plan as required. The Chairman told us that the Board had discussed the external auditor's findings regarding the District's internal controls; however, the Chairman was unable to provide a specific reason for why District officials did not prepare a written corrective action plan.

Conflict of Interest

GML limits the ability of municipal officers and employees to enter into contracts in which both their personal financial interests and their public powers and duties conflict. Unless a statutory exception applies, GML prohibits municipal officers and employees from having an "interest" in a contract with the municipality for which they serve when they also have the power or duty, either individually or as a Board member, to negotiate, prepare, authorize or approve the contract, to authorize or approve payment under the contract, to audit bills or claims under the contract, or to appoint an officer or employee with any of those powers or duties. For this purpose, a "contract" includes any claim, account, demand against or agreement with a municipality, express or implied.

Municipal officers and employees have an interest in a contract when they receive a direct or indirect monetary or material benefit as a result of the contract. Municipal officers and employees are also deemed to have an interest in the contracts of their spouse, minor children and dependents (except employment contracts with the municipality); a firm, partnership or association of which they are a member or employee; and a corporation of which they are an officer, director or employee, or directly or indirectly own or control any stock. As a rule, interests in actual or proposed contracts on the part of a municipal officer or employee, or his or her spouse, must be publicly disclosed in writing to the municipal officer or employee's immediate supervisor and to the governing board.

The District entered into one or more contracts when it made \$1,716 in purchases from an incorporated general store during the course of the 2013 fiscal year. According to a Commissioner's disclosure form, the Chairman is a 100 percent owner of the store. In that case, the Chairman has an interest in each contract. By virtue of his membership on the Board, he possesses one or more powers and duties that can give rise to a prohibited interest. Therefore, unless an exception applies, the Chairman has a prohibited interest in the contracts.

GML provides an exception for interests in procurement contracts of elected governing board members of municipalities located wholly or partly within a county with a population of 200,000 or less if the board member serves without salary; the procurements, in the aggregate, are less than \$5,000 in a fiscal year; the board has followed its procurement policies and procedures and the process indicates the contract is for the lowest dollar offer; and each member of the board approves the contract with the interested member abstaining.

Here, the County in which the District is located has a population of less than 200,000, the Commissioner serves without salary, and the procurements, in the aggregate, are less than \$5,000 in a fiscal year. Assuming the District followed its procurement policies and procedures and the District's process to purchase such items resulted in each contract being the lowest dollar offer, the exception would apply if the Commissioner abstained from voting on the vouchers submitted by his business to be approved by the Board. The Commissioner would still, however, have been required to disclose his interest in the contracts pursuant to GML.

In November 2013, the Chairman signed a \$142 voucher to his general store where he has 100 percent interest. We reviewed the November 2013 Board minutes to determine if he voted on the abstract that included the voucher he signed. However, because the District does not create or certify abstracts for payments made to vendors, we were unable to determine if he abstained from voting on this payment.

If the Chairman did participate in the approval of the vouchers submitted by his business, the exception would not apply. In that case, since no other exceptions appear to apply, the Chairman would be considered to have a prohibited interest in each contract in which he voted to approve the voucher.

Recommendations

The Board should:

15. Ensure that District officials adhere to the procurement policy provisions for obtaining quotations and proposals and documenting purchase decisions.
16. Enter into written contractual agreements with professional service providers to provide a clear understanding of the services to be provided and the basis for determining entitlement for payment.
17. Prepare a written corrective action plan that addresses the findings cited in the District's external audit report as prescribed in Town Law.

18. Establish and implement controls to help ensure that the District does not enter into contracts in which an officer or employee has a prohibited interest.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

PLATTEKILL FIRE DISTRICT

PO BOX 219, PLATTEKILL, NY 12568

December 12, 2014

Office of The State Comptroller

Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553
Att: Tenneh Blamah

Re: Plattekill Fire District Report of Examination # 2014M-282

Thank-you for your office's preliminary report presented to us at the audit exit interview. This report was discussed and reviewed with the Treasurer and Commissioners of the Plattekill Fire District.

We are appreciative of the information and guidance provided to us by the site auditor during this audit. This information will help guide us in managing our government resources efficiently and effectively therefore allowing us to provide better accountability and an opportunity to improve the operations of the Plattekill Board of Fire Commissioners.

We are in agreement with your findings and have begun the process of implementing measures to improve the internal controls over our financial operations as outlined in your recommendations. The district's completed corrective action plan will follow.

Yours Truly,

James Hoppenstedt Sr.
Chairman, Plattekill Fire District Board

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to assess the controls over the District's operations for the period January 1, 2013 through January 14, 2014. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed the Board's minutes and interviewed District officials to gain an understanding of the District's policies and procedures.
- We reviewed the Treasurer's reports (payment totals) from January 2013 through December 2013 to determine their accuracy by comparing them to the list of monthly payments.
- We reviewed the Treasurer's reports for 2013 to determine if they were complete.
- We reviewed the accounting records for 2013 to determine if they were properly maintained.
- We reviewed banking records for 2013 to determine if the corresponding check images for each month were maintained and in safekeeping.
- We reviewed bank reconciliations prepared by the Treasurer to verify their accuracy.
- We reviewed 457 disbursements for the year 2013, totaling \$1,430,176. We developed a sample population of 222 payments totaling \$173,196 by removing 235 payment totaling \$1,256,980 that were comprised of reimbursements, insurance payments, utilities payments, professional service provider payments and payroll. We then randomly selected 20 payments totaling \$18,354 to determine if the payments were supported with appropriate documentation, mathematically accurate and approved by the Board.
- We reviewed the purchase orders for the year 2013 to determine if District officials obtained the appropriate number of quotes as required by the District's procurement policy.
- We reviewed professional services contracts and proposals for 2013 to determine if District officials selected vendors through a competitive process and to determine if contractual agreements existed and were current.
- We reviewed gas card statements and vouchers for 2013 to determine if there was appropriate supporting documentation.

We conducted this performance audit in accordance with 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.

APPENDIX C

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