

Downsville Fire District

Procurement and Claims Audit

DECEMBER 2022



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

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Report Highlights

Downsville Fire District

Audit Objective

Determine whether the Downsville Fire District's (District) Board of Fire Commissioners (Board) ensured that goods and services were procured in accordance with the procurement policy and claims were approved prior to payment.

Key Findings

The Board did not ensure that goods and services were procured in accordance with the procurement policy and that all claims were approved prior to payment.

- None of the 18 purchases of goods and services tested, totaling \$58,117 (11 percent), complied with the District's procurement policy, because they either lacked evidence of required quotes or competition was not sought. As a result, taxpayers do not have assurance that goods and services are purchased in the most economical manner.
- Seven claims and 44 debit card transactions, totaling \$8,346, were paid prior to Board audit and approval, which could result in the District making improper or inappropriate payments.

Key Recommendations

- Ensure compliance with the District's procurement policy is clearly documented.
- Ensure that all claims are audited and approved prior to payment.
- Discontinue using the debit card.

District officials agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Background

The District provides fire protection and emergency medical services to the Town of Colchester in Delaware County and has a station in the hamlets of Downsville and Cooks Falls.

The five-member elected Board is responsible for the District's overall financial management and safeguarding its resources, including creating and enforcing the procurement policy, and auditing claims prior to payment.

An elected Treasurer acts as the chief fiscal officer and is responsible for disbursing District funds once the claims have been audited and approved by the Board.

Quick Facts

Appropriations

2021	\$260,900
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2022	\$268,070
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Non-Payroll Disbursements for Audit Period

Amount Disbursed	\$538,500
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Number of Disbursements	355
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Audit Period

January 1, 2021 – June 30, 2022

Procurement and Claims Audit

Why Should the Board Obtain Competitive Pricing and Audit Claims?

Fire district boards are required to adopt written procurement policies and procedures governing all purchases of goods and services that are not subject to competitive bidding. An effective procurement policy helps ensure that officials seek competition and purchase goods and services of desired quality and quantity at the lowest cost in the best interests of fire district taxpayers.

The District's procurement policy requires that the purchasing procedures follow all applicable laws and regulations of New York State. The policy also requires two verbal quotations for purchases between \$251 and \$2,999, two written quotations for purchases between \$3,000 and \$4,999 and three written quotations for purchases between \$5,000 and \$19,000.

With limited exception, boards are required to audit all claims before payment. Effective claims auditing procedures ensure that every claim against a fire district is subjected to a thorough and deliberate review, and contains adequate supporting documentation to determine whether it complies with statutory requirements and fire district policies, and the amounts claimed represent actual and necessary expenditures.

The Board Did Not Comply with the Procurement Policy or Seek Competition for Purchases

We reviewed 18 purchases of goods and services, totaling \$58,117 (11 percent), from disbursements, totaling \$538,500, made during the audit period. We determined none of the purchases complied with the procurement policy, as there was no documentation officials obtained the required number of quotes. The purchases were for fuel oil, propane, vehicle repair, legal services, printers, a folding cart, a rock salt spreader, and painting and roofing materials. The Board Chairman (Chairman) and Treasurer told us that they checked prices for the printers, folding cart and rock salt spreader, but did not keep any documentation to support those quotes. They also told us that due to the rural location of the District, they have difficulty finding vendors, so once they find one that they are satisfied with they continue using them. However, we identified instances where alternate vendors were available but were not reviewed when comparing quotes for purchases.

When the Board does not ensure competition is solicited, officials and taxpayers do not have assurance that goods and services are purchased in the most prudent and economical manner, without favoritism.

An effective procurement policy helps ensure that officials seek competition and purchase goods and services of desired quality and quantity at the lowest cost in the best interests of fire district taxpayers.

Claims Were Paid Prior to Audit and Approval

The Treasurer compiles the invoices and fills out a claim voucher for each invoice. The invoices and claim vouchers are submitted to the Board at the monthly meeting. The Board members review the invoices and sign the claim vouchers to indicate their approval for payment. Once the Treasurer has approval to pay she disburses the funds accordingly.

We reviewed 75 claims, totaling \$54,634 (10 percent), out of the disbursements totaling \$538,500 and found seven claims, totaling \$2,125, were paid prior to approval. These claims were for oxygen tank and valve rentals, garbage removal, snow plowing and furnace repair. The Chairman and Treasurer told us that they pay invoices prior to Board approval to avoid late payment fees and then approve the claims the following month. We verified these claim vouchers were submitted at the next Board meeting. However, when claims are paid prior to approval, the Board is not able to perform its required audit of claims, and the District risks making improper or inappropriate payments that could be difficult to recoup.

Debit Card Purchases Bypassed the Claims Audit Process

The District uses a debit card to purchase supplies which poses a significant risk because the card is directly linked to the District's bank account and funds are immediately deducted. These types of purchases do not allow for the required Board audit of claims prior to the disbursement of funds.

We reviewed all 44 debit card transactions, totaling \$6,221, made during our audit period. Other than minor discrepancies which we communicated to the Chairman and Treasurer, these debit card purchases were for legitimate District purposes. The accompanying claims were also subsequently audited and approved by the Board. However, the use of a debit card circumvents internal controls and increases the risk that inappropriate purchases could be paid for.

What Do We Recommend?

The Board should:

1. Ensure that goods and services are procured in accordance with the District's procurement policy and that quotes are obtained, documented and retained.
2. Audit and approve all claims prior to payment.
3. Discontinue using the debit card, as these charges do not allow claims auditing prior to payment and pose a high inherent risk.

Appendix A: Response From District Officials

**Downsville Fire District
PO Box 341
Downsville, NY 13755**

November 22, 2022

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

Sir/Madam:

RE: 2022LM-130

The Downsville Board of Fire Commissioners at their regular meeting held November 21st, 2022, approved the following response to the audit conducted earlier this year:

The Downsville fire District Board of Fire Commissioners agrees with the finding of the audit.

The Downsville Fire District Board of Fire Commissioners will let this response serve as the CAP and has implemented the following aspects of the recommendations and will look to further implement any other actions needed:

Recommendation- Ensure compliance with the Districts procurement policy is clearly documented.

Answer- The board of commissioners has updated the procurement policy as recommended by the NYS auditors, and this new policy was approved and adopted by the board on August 15,2022. A copy is attached.

Recommendation- Bill Payment

Answer- Commissioners will authorize the Treasurer the authority to make payment on utility accounts and contract services that have been approved for purchase when the bills have a due date prior to the regular monthly meeting. This approval will be voted on at the reorganizational meeting in the month of January each year.

Recommendations- Discontinue debit card, utilize a credit card where necessary.

Answer- The Board of commissioner authorized the treasurer to apply for a bank credit card from our institution of deposit. The authorized use of the card is addressed in the new procurement policy.

Respectfully submitted,

(Brian Murphy, Chairman)

Appendix B: Audit Methodology and Standards

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 the Treasurer and Board members to gain an understanding of the purchasing and claims audit processes.
- We reviewed the Board's adopted procurement policy to determine whether it addressed procuring goods and services that are not subject to competitive bidding, in accordance with statutory requirements.
- We selected a sample of 18 purchases of goods and services, totaling \$58,117, from the various procurement policy thresholds that could be personal use vendors, and determined whether they were in compliance with the District's procurement policy. For 12 of those vendors, we reviewed the accompanying 75 claims, totaling \$54,634, out of the total non-payroll disbursements, totaling \$538,500, to determine whether they were for proper District purposes, contained sufficient supporting documentation, and were audited prior to payment. This review also included all 44 debit card transactions, totaling \$6,221, from our audit period.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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

Regional Office Directory

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

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

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

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

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

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

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

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

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Contact

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