



East Brentwood Fire District Control Environment and Expenditures

Report of Examination

Period Covered:

January 1, 2013 — April 30, 2014

2015M-112



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2015

Dear 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 East Brentwood Fire District, entitled Control Environment and Expenditures. 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 East Brentwood Fire District (District) is located in the Town of Islip in Suffolk County and has one fire department which serves a one square mile area with approximately 1,200 homes and businesses. The District is governed by an elected five-member Board of Fire Commissioners (Board). The Board is responsible for the District's overall financial management and control environment, including establishing policies and internal controls to help ensure that assets are properly safeguarded. The District Treasurer is the chief fiscal officer whose duties include the receipt, custody, deposit, disbursement and investment of District funds; the maintenance of financial records; and the preparation of monthly and annual financial reports. The District Secretary is responsible for having custody of all District records, books and papers, and when functioning as the Clerk of the Board is responsible for recording Board meetings. The District's general fund expenditures for the year ended December 31, 2014 were about \$1.1 million, funded primarily through real property taxes.

Scope and Objective

The objective of our audit was to examine the District's internal control environment and selected expenditures for the period January 1, 2013 through April 30, 2014. We expanded our scope back to January 1, 2006 to analyze the District's payroll and election procedures. Our audit addressed the following related questions:

- Did the Board establish and maintain an internal control environment that fosters competence and transparency?
- Did the Board ensure that food, travel and credit card expenditures were adequately supported and necessary?

Audit Results

The Board did not establish and maintain an environment committed to accountability, competence and transparency, due to its lack of policies, guidelines and monitoring. Although cited by their independent auditor in 2013 and 2014 for having unclear and incomplete Board meeting minutes, we found that the minutes are still missing a substantial amount of information, including the budget adoption, employee hires and terminations, pay raises and salaries and results of public referendums to spend reserve money. Further, the Board has not complied with Laws governing District elections. This resulted in the District holding an election for a Commissioner one year earlier than necessary and another Commissioner continuing to execute his duties after his term expired. In addition, District officials failed to document salary rates and raises for officers and employees in a transparent manner.

The Board also did not ensure that food, travel and credit card expenditures were adequately supported and necessary. None of the 116 food expenditures totaling \$62,297 that we reviewed had adequate support attached to the claims at the time the District made payment, and 102¹ of the expenditures totaling \$19,586 were for reasons other than those allowed by District policy or District officials could not identify the reasons. Our review of 42 travel expenditures for five overnight trips totaling \$15,620 showed that none had adequate documentation at the time of payment. One of these was a trip to London, England totaling \$9,448. Because District officials did not obtain itemized receipts, they have no assurance that food and lodging expenditures were reasonable and necessary. In addition, three of the four domestic trips exceeded the General Service Administration per diem rates for food, lodging or both. Lastly, we reviewed 19 credit card purchases totaling \$8,420 and found that none were adequately supported at the time the Treasurer paid the claims.

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 that they plan to initiate corrective action.

¹ 116 tested less the one purchase for the installation dinner less the 13 Board-authorized purchases

Introduction

Background

The East Brentwood Fire District (District) is located in the Town of Islip in Suffolk County, serves a one square mile area and has approximately 1,200 homes and businesses. The District was incorporated in 1941 and has one fire department (Department) with approximately 45 volunteers and 21 paid employees who provide fire, rescue and emergency services. The District responded to 973 calls in 2014, the majority for ambulance emergencies. The District is governed by an elected five-member Board of Fire Commissioners (Board).

The Board is responsible for the District's overall financial management and control environment, including establishing policies and internal controls to help ensure that assets are properly safeguarded. The District Treasurer (Treasurer) is the chief fiscal officer whose duties include the receipt, custody, deposit, disbursement and investment of District funds; the maintenance of financial records; and the preparation of monthly and annual financial reports. The District Secretary (Secretary) is responsible for having custody of all District records, books and papers, and when functioning as the Clerk of the Board is responsible for recording Board meetings. The District also employs two deputies to assist the Treasurer and Secretary. The District's general fund expenditures for the year ended December 31, 2014 were about \$1.1 million, funded primarily through real property taxes.

Objective

The objective of our audit was to examine the District's internal control environment and selected expenditures. Our audit addressed the following related questions:

- Did the Board establish and maintain an internal control environment that fosters competence and transparency?
- Did the Board ensure that food, travel and credit card expenditures were adequately supported and necessary?

Scope and Methodology

We examined the control environment, transactions and Board minutes for the period January 1, 2013 through April 30, 2014. We expanded our scope back to January 1, 2006 to analyze the District's payroll and election procedures.

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 that 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 (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.

Control Environment

The control environment, or “tone at the top,” is the foundation of an entity’s internal control structure. It includes the integrity, ethical values, competence of the entity’s personnel and management’s philosophy and operating style. When this foundation is strong, there is an expectation that everyone, including top management, will conform to established controls and avoid violating the public trust. Part of this responsibility includes ensuring accountability and transparency of all District actions as per New York State Public Officer’s Law, which requires that the District maintain accurate Board minutes.

The Board did not establish and maintain an environment committed to accountability, competence and transparency, due to its lack of policies, guidelines and monitoring. The Board did not ensure that the Secretary included sufficient detail in the Board’s meeting minutes, did not comply with Town Law relating to Commissioner elections and did not properly document relevant payroll information.

Board Minutes – The Secretary must attend all Board meetings and keep a complete and accurate record of the proceedings of each meeting. The minutes are a permanent record of the Board’s actions and key decisions. At a minimum, the minutes should consist of a record or summary of all motions, proposals, resolutions and any other matter that the Board voted upon. The Board should approve only those minutes that accurately capture all relevant discussions, motions, proposals and resolutions.

The Secretary records the Board’s meeting minutes and presents them to the Board for approval at the next meeting. The Board passes a resolution accepting the minutes. The District’s independent auditors informed the Board in May 2013 that the content of the minutes failed to provide clear descriptions of Board actions. The auditors recommended that the Board minutes include basic information such as the date and time of a meeting; whether the meeting is a special or regular meeting; names of other guests in attendance; any Board actions taken such as approvals, delegations of authority and directives; alternatives considered for important decisions to show diligence and reasonable care; and attachments with summaries of important reports and documents. The Board did not develop a corrective action plan and did not implement the audit firm’s recommendations. Instead, the Secretary continued to produce and the Board continued to accept minutes which lacked important details. Board meeting minutes do not capture all important motions or resolutions and do not include

sufficient detail for the motions that were included. The independent auditors again informed the Board of these same issues in June 2014, subsequent to our audit period.

We reviewed the minutes of all 16 regular Board meetings and one special meeting held during the audit period. The Board minutes did not:

- Contain a resolution adopting the 2014 budget, nor did they indicate the final budget amount.
- Include approval of the hiring of seven new employees and the termination of four employees. A Commissioner indicated that they discuss all potential new hires, in detail, at Board meetings but the Secretary did not capture this information in the official minutes.
- Indicate pay raise amounts and the names of the four employees who received them. A Board member indicated that they discuss all current employees due for raises at Board meetings and make a decision on whether to award the raises or not. However, the Secretary did not include this information in the minutes.
- Include a resolution that District claims, including the total dollar amounts, were audited and approved.
- Document the approved salaries for the four District officers - Treasurer, Secretary, Deputy Treasurer and Deputy Secretary - at the yearly reorganization meeting.
- Document information about the Commissioner elections, specifically the number of votes the candidates received.
- Always include dollar amounts when authorizing major expenditures.
- Include the results of permissive referenda. For example, the Board authorized the purchase of firefighting equipment costing \$30,000 in March 2013, subject to a permissive referendum, because they planned to use reserve funds. There was no subsequent mention in the Board's minutes about the results of this referendum or when the equipment was purchased.

The Board approved incomplete minutes submitted by the Secretary and did not develop a corrective action plan or implement the

independent auditor's recommendations. As a result, District residents do not have adequate information about Board activities and decisions, nor is there a complete and accurate record of Board actions.

Commissioner Election – Town Law requires that elections be held on the second Tuesday of December with a public notice being posted from 27 to 34 days prior with key information such as the time and place where elections will be held, the officers to be elected, their terms of office and the hours the polls will be open. Candidates must be District residents and each election must have official certified results.

We reviewed documentation for all Commissioner elections held by the District from January 1, 2007 through December 31, 2013 and found that election procedures were not always in compliance with Town Law. For example, there were numerous discrepancies with the content of the District's public notices:

- The public notices for the 2011, 2012 and 2013 annual election of Commissioners were all posted by the Secretary 19 days prior to the date of the election, which is eight days later than the last allowable date.
- The public notice for the 2012 annual election indicates that the election was for one Commissioner, but the official election results indicate that the election was for two.
- The public notice for the 2007 annual election did not include the election date.
- Elections for two Commissioners were held with incorrect terms of office. One Commissioner was elected in December 2011 to a five-year term, but the correct term should have been three years. The other Commissioner was elected in December 2012 to a one-year term and again in December 2013 to a five-year term. The 2012 election should have been for a two-year term.
- An election for another Commissioner was held in December 2012 instead of December 2013, when his five-year term was set to expire.
- A fourth Commissioner's term expired in December 2012, but the District did not hold an election for the subsequent term. The Commissioner was still executing official duties, such as voting on Board resolutions and signing claims, until we

brought this to the District's attention in June 2014. The Board then appointed the individual to the vacant Commissioner position until such time as a special election could be held. The Commissioner was elected to the position in December 2014.

The Secretary posted public election notices without ensuring they were complete and accurate and did not maintain accurate records on Commissioner terms. Consequently, the public received incomplete information about certain elections and a Board member continued in office, without running for re-election, beyond the expiration of his term.

Payroll Transparency – The Board should establish and approve all salary and hourly wages by position or as part of a collective bargaining agreement. All changes in employment status (e.g., additions and terminations) and salary and wage rates should be properly authorized, approved and documented to support employment status changes.

The Board adopted a guideline in 2012 that governs starting pay and raises for new Emergency Medical Technicians (EMTs), Drivers and Paramedics. However, District officials could not provide us with any documentation relating to starting pay and raises for employees hired prior to 2012. In addition, the District has no employment contracts with the Treasurer, Deputy Treasurer, Secretary or the Deputy Secretary. The Board appoints them at the annual reorganization meeting, but there is no mention of their salary. Finally, the Board minutes did not include the new hires for our audit period along with their starting salaries or any subsequent raises. Therefore, District residents do not have adequate information regarding these employees, and the Board does not have adequate assurance that they are paid correct salary amounts.

We reviewed records for 17 employees² and identified the following concerns:

- The Board had no written salary guidelines for employees prior to 2012. Therefore, the Board has no way of determining whether the starting pay rates for the six highest paid employees, all hired prior to 2012, were appropriate.
- Board minutes had no information for the seven employees hired after 2012. A Commissioner told us that they discuss all new hires at the Board meetings, but the Board could not provide any documentation for these discussions.

² See Appendix B for sampling methodology.

- The Board could not provide any salary history for the Treasurer, Deputy Treasurer, Secretary or Deputy Secretary because the District has no personnel files for them, nor did the Board document their salaries at the 2013 and 2014 annual reorganization meetings. A Commissioner informed us that the Board just appoints them every year, and these officers have not received any raises the past four or five years.
- The District's six highest paid employees, all hired before 2012, have been given raises, but the Board has no documentation available to substantiate these raises. We found copies of letters in their personnel files signed by the District Manager communicating the raises to the employees, but there was no indication that the Board discussed and approved the raises. For example, a letter indicated that an EMT received a \$3 per hour raise in 2010 for obtaining an additional EMT certification, but there was no documentation to indicate that the Board had approved this salary increase. A Commissioner told us that all raises are at the Board's discretion and are not guaranteed. However, they could not provide us with any documentation about discussions pertaining to raises.
- We recalculated current hourly rates for seven new hires covered by the guidelines adopted by the Board in 2012. One employee was receiving an additional \$3.50 per hour. A Commissioner told us that this individual took on additional responsibilities around the office, which warranted a raise. However, the Board did not document this decision in the minutes, nor did it indicate what these additional responsibilities were in the employee's personnel file.

The District's lack of written guidance over employee pay and raises and failure to maintain all relevant documentation prevents District residents from having important information regarding payroll costs. This lack of transparency could erode employee and public trust relating to the District's hiring and employee salaries.

Recommendations

The Board should:

1. Accept and approve only those minutes which have captured all motions, resolutions and proposals for the meeting being documented. If there are any items acted on that are not documented, the Board should direct the Secretary to amend the minutes accordingly before accepting and approving them.

2. Address audit recommendations provided by the independent auditor.
3. Review public notices for Commissioner elections prior to posting to ensure they are in full compliance with Town Law.
4. Develop a procedure to adequately monitor Commissioner terms of office to ensure elections are held timely and for the correct terms.
5. Ensure that all employees and officers are made aware of the criteria for receiving pay raises and employees that receive raises are documented in the Board minutes along with the amounts of the raises.
6. Document and communicate the District's basis for all employee pay rates and approved raises.

The Secretary should:

7. Maintain personnel folders for all District officers which include dates of Board approved salaries and a history of Board approved raises.
8. Take and maintain accurate and complete minutes about Board activities and decisions made at Board meetings.
9. Ensure that public notices are in compliance with Town Law guidelines.
10. Keep an accurate record of each Commissioner's term of office.

Expenditures

New York State Town Law allows fire districts to pay all actual and necessary expenses for all District personnel. It is important that the Board adopt, enforce and communicate policies relating to food purchases, travel expenditures and the use of credit cards. The Treasurer must ensure that supporting documentation is attached to each claim prior to submission to the Board for audit, and the Board must ensure that all expenses are adequately supported and are necessary District expenses before approving them for payment.

The Board-adopted policies related to food purchases and travel were not comprehensive and not adhered to by District employees and officials. The District also has no policy regarding credit card usage. The District paid 664 non-payroll expenditures totaling \$1.3 million during the audit period. We reviewed 177 food, travel and credit card expenditures³ totaling \$86,337 and found that the Board did not ensure that these expenditures were adequately supported and valid prior to approving them for payment.

Food

The Board should adopt a comprehensive policy that governs when food or meals will be provided and paid for with District funds. The Treasurer must ensure that claims are adequately supported prior to submission to the Board for audit. Upon audit, the Board should ensure that the food purchased or provided was for a valid District purpose prior to authorizing the Treasurer to pay the corresponding claims. Further, Town Law generally allows fire districts to include appropriations in their budgets for meals at an annual dinner, also known as the annual fire installation and inspection dinner.

The District's Board-adopted policy allows food purchases for employees on standby⁴ who have responded to a declared emergency by the Chief's Office. It does not state specifics about what documentation is required, like itemized receipts, sign-in sheets and the reason for the purchase. District officials did not adhere to the Board's policy. As a result, the Treasurer disbursed funds for food expenditures that did not have sufficient documentation and for reasons not covered by Board policy, such as cleanup details, fund raisers and restaurant meals.

³ See Appendix B for sampling methodology.

⁴ In such cases where there is a declared emergency by the Chief's office, persons remain available at the fire house in a state of "readiness" to enable immediate response when needed. (i.e., imminent snow storms).

We reviewed 116 food expenditures⁵ totaling \$62,297 and found that none of the claims were adequately supported. For example:

- The Treasurer reimbursed a \$225 purchase from a beverage retailer to the Department without an itemized receipt of purchase. Included in the claim was only an unsigned purchase order with a dollar amount written on it.
- A claim for the District's installation dinner totaling \$36,813 did not have the guest list and the agreement with the venue attached to the claim. The District paid this claim based on an un-itemized invoice indicating the dollar amount and that there were 220 guests. The Treasurer was able to provide us with a guest list, which agreed with the number of guests identified on the invoice. However, District officials were unable to provide an agreement with the venue. Therefore, District residents have insufficient information regarding what the District received at a cost of \$167 per person attending.
- The Treasurer reimbursed the Department for a \$150 purchase from a mini-mart with a handwritten receipt with the dollar amount and the word "cash" written on it.

District officials were able to provide some supporting documentation for food purchases, such as Board resolutions and sign-in sheets. Our review of these documents showed that only 13 food purchases totaling \$5,898 were for standby, the only Board-authorized reason to purchase food. The remaining 102 food purchases,⁶ totaling \$19,586, were for reasons other than standby or for reasons the District could not identify. For example, the District purchased \$1,362 worth of food from a restaurant wholesaler on a District credit card. When asked for the reason for the purchase, the District provided sign-in sheets for a variety of functions like maintenance, a Commissioner dinner, holiday breakfasts and a department drill, none of which are authorized by the District's food policy. The District also had 12 credit card charges at restaurants totaling \$1,411. There were no reasons for the meals attached to these claims, no attendance lists and no indication of the District purposes for these meals. Five of these charges totaling \$418 had no itemized receipts attached to the claim, so there is no documentation as to what was purchased. A Commissioner told us that these were business meetings, but officials were unable to provide any documentation about what was discussed or who was in attendance.

⁵ See Supra note 3.

⁶ 116 tested, less the one purchase for the installation dinner, less the 13 Board-authorized purchases

Because District officials did not abide by the Board's policy and because the policy is not sufficiently detailed indicating the type of supporting documents that should be submitted to the Treasurer prior to payment, adequate supporting documentation was not attached prior to the payments. Without proper documentation, there is an increased risk of the District paying for food expenditures that may not be for legitimate District purposes.

Overnight Travel

General Municipal Law allows fire districts to pay for actual and necessary expenses for travel, meals, lodging and registration fees incurred in attending conferences or conventions by authorized district officials, employees or officers. It is important that the Board adopt and enforce formal policies that give clear and specific guidelines with respect to attendance and associated costs for conventions in order to minimize the risk of excessive expenditures of public funds. The policy should include a list of travel expenditures typically reimbursable, such as lodging, mileage allowances, taxi and rental car expenditures and expenditures for meals or a per diem meal allowance. The policy should identify required documentation, including original receipts and certification of attendance, to be submitted to support travel expenditures and the timetable for submission of this documentation. The policy should also include a description of the process that personnel must follow to be reimbursed for allowable travel expenditures, maximum reimbursement rates for lodging and meals and the conditions under which exceptions to the maximum rates will be granted. The General Service Administration (GSA) is a federal agency that establishes per diem rates for meal and lodging expenditures relating to governmental travel. These rates are used by the federal government and by many other government entities nationwide, including New York State.

The Board adopted a travel and expense policy which requires Board authorization for travel and the submission of a travel expense report, a travel voucher and all necessary receipts within 30 days of the travel. However, District officials did not adhere to this policy, and the Treasurer disbursed funds without ensuring sufficient documentation was attached to the corresponding claim. In addition, the policy establishes a meal per diem rate of \$125 which is significantly higher than the highest per diem allowed by GSA,⁷ and the policy does not establish a per diem limit for lodging.

We reviewed 42 transactions for five overnight trips⁸ totaling \$15,620. Adequate documentation was not available for any of the five trips. In addition, we identified the following deficiencies:

⁷ The GSA rates for the lower 48 continental United States currently range from \$46 to \$71.

⁸ See Appendix B for sampling methodology.

- The Board did not authorize one of the five overnight trips for a Commissioner traveling to Orlando, Florida for an apparatus symposium in January 2013 at a total cost of \$821.
- Eight receipts for restaurant meals totaling \$486 indicated more than one guest was served when there was only one District official traveling. For example, the receipts from four restaurant meals totaling \$261 from the Orlando, Florida trip, and charged to the District credit card, indicated meals were ordered by more than one guest, even though only one Commissioner attended this event. A Commissioner told us that, when District officials travel for these conferences, they usually carpool with neighboring fire district officers and take turns paying for meals.
- The Department Chief and an Assistant Chief traveled to London, England in May 2013 for a conference at a total cost of \$9,448. Although the Board authorized the trip, no details about the location, the business reason or how much the trip would cost were included in the Board's approval. Further, the Chief and Assistant Chief arrived in London two days before the travel dates authorized by the Board. The Board Chair told us this was so they could ride along in an ambulance with London paramedics. District officials were unable to provide documentation to support this assertion or how it would benefit the District. In addition, no itemized invoices for the hotel, transportation (air travel and car rental) or meal expenses were attached to the claim or subsequently provided. Therefore, the Board would have been unable to determine if the most cost-effective method of travel was used or to verify that only actual and necessary expenses were incurred for the trip. The Treasurer disbursed two checks for \$750 each,⁹ one each to the Chief and Assistant Chief. Nothing was attached to the claims to support the rationale for the \$750 advances. The Board Chair indicated that the Board verbally discussed the matter and felt this was a reasonable amount for food and other miscellaneous trip expenses. Although required by the District's travel policy, the Chief and Assistant Chief never subsequently provided receipts nor did the Treasurer subsequently request supporting receipts to document how the money was actually spent. Although District officials did ultimately obtain a letter confirming attendance, based on the documentation available we could not determine the business purpose or what the District gained by sending the Chief and Assistant Chief on this international trip.

⁹ These two checks are included in the total cost of the trip.

- Three of the four domestic trips exceeded GSA per diem rates for food, lodging or both by a total of \$1,394.

When District personnel attend training and conferences that are not necessary for District business and do not use GSA per diems for food and lodging, the District may incur unnecessary costs.

Credit Cards

The Board must establish a policy for credit card use to establish accountability and help prevent misuse. Credit card policies and procedures should require submission of itemized receipts, a reconciliation of the receipts to the statement, documentation of the purposes for the purchases and an indication of the individuals who made the purchases. The Treasurer must ensure that all supporting documents required by any Board-adopted policies for purchasing and credit card use are attached to a claim prior to submission to the Board for audit.

Despite the Board not adopting a credit card policy nor authorizing credit card usage, the District issued five credit cards: four to Commissioners plus one to the Treasurer. Each credit card has a \$30,000 credit limit. District officials made 96 credit card charges totaling \$40,733 during the audit period. Expenditures were made for food, travel and miscellaneous District items. The District's purchasing and procurement policy requires documented comparison shopping for items over \$100 and under \$5,000.

We reviewed 19 non-food, non-travel credit card charges¹⁰ totaling \$8,420 and found that the claims were paid without sufficient supporting documentation attached. For example:

- Seventeen charges totaling \$7,370 did not have a reason for the purchase attached to the claim. This included a \$2,070 charge for a laptop and tablet with no documented purpose attached to the claim. A Commissioner indicated the tablet was to test out new dispatch software for an upcoming upgrade and the laptop was for use with an overhead projector at Department meetings.
- Of the charges that included itemized receipts or invoices, nine totaling \$5,322 did not have signatures or initials of the purchasers on the corresponding receipts or invoices indicating who made the purchases. For example, a \$610 receipt from a computer hardware store was attached to the claim without any indication of who made the purchase. A Commissioner told us he purchased equipment to be used with the tablets that would go with their new dispatch software.

¹⁰ See Appendix B for sampling methodology.

- Twelve charges totaling \$7,218, ranging between \$100 and \$5,000, did not have any proof of comparison shopping attached to the corresponding claim at the time of payment. For example, District officials did not document any attempts at comparison shopping for the best deal on photo lighting equipment for making identification cards, a \$455 charge.
- Five charges totaling \$1,171 did not have itemized receipt or invoices. For example, a credit card charge for \$846 from a computer vendor had no invoice attached to the claim. Upon request, District officials were able to provide the invoice, which was for a desktop computer intended for storage of electronic records, located in the Chief's office. One charge, \$25 paid to the District's EZ-Pass account, was not for a valid District purpose. A Commissioner explained that this charge was for toll charges incurred for a trip to a baseball game, unrelated to any District business. There was no reimbursement to the District for this expense.

Without a written policy for credit cards, District officials had no clear guidelines to hold credit card users accountable for their purchases, nor any way to ensure that purchases are legitimate District expenses prior to payment. In addition, by not adhering to guidelines from their adopted purchasing policy, which requires comparison shopping, the District may not have received the best price for items purchased.

Recommendations

The Board should:

11. Update the food policy to ensure that food purchases are adequately supported and are necessary District expenses and communicate it to District personnel.
12. Update the travel policy to include specific allowable lodging and meal rates and communicate it to District personnel.
13. Document the justification for overnight travel, including the reason why the trip is necessary.
14. Adopt a comprehensive policy to govern the use of credit cards and communicate it to District personnel.
15. Ensure that expenses are adequately supported and necessary prior to approving them for payment.

The Treasurer should:

16. Ensure that sufficient supporting documentation is attached to each claim prior to submitting to the Board for audit and payment approval.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



East Brentwood Fire District

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BOARD OF FIRE COMMISSIONERS

Steve Grammenos, Chairman

Louis Raciti

Vincent Scandariato

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Robert Kuehn
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Anthony Celentano
Deputy Treasurer

July 17, 2015

Office of the State Comptroller
Division of Local Government & School Accountability
PSU-CAP Submission
110 State Street 12th fl.
Albany, NY 12236

EAST BRENTWOOD FIRE DISTRICT
CONTROL ENVIRONMENT AND EXPENDITURES / January 1, 2013 – April 30, 2014
REPORT # 2015M-112

Please be advised that our Audit response will also serve as our CAP

CONTROL ENVIRONMENT RECOMMENDATION:

The Board should:

- 1) Accept and approve only those minutes which have captured all motions, resolutions and proposals for the meeting being documented. If there are any items acted on that are not documented, the Board should direct the Secretary to amend the minutes accordingly before accepting and approving them.
- 2) Address audit recommendations provided by the independent auditor.
- 3) Review public notices for Commissioner elections prior to posting to ensure they are in full compliance with Town Law.
- 4) Develop a procedure to adequately monitor Commissioner terms of office to ensure elections are held timely and for the correct terms.
- 5) Ensure that all employees and officers are made aware of the criteria for receiving pay and raises and employees that receive raises are documented in the Board minutes along with the amount of the raise.
- 6) Document and communicate the District's basis for all employee pay rates and approved raises.

The Secretary should:

- 7) Maintain personnel folders for all District officers which include dates of Board approved salaries and a history of Board approved raises.
- 8) Take and maintain accurate and complete minutes about Board activities and decisions made at Board meetings.
- 9) Ensure that public notices are in compliance with Town Law guidelines.
- 10) Keep an accurate record of each Commissioner's term of office.

RESPONSE:

IMPLEMENTATION PLAN OF ACTION/DATE/RESPONSIBLE PARTY

- 1) Effective January 1, 2015, a new District Secretary was hired, Robert Kuehn, to prepare minutes as recommended by the State Comptroller's office and the independent auditor.
- 2) Effective January 1, 2015, a new District Secretary was hired, Robert Kuehn, to prepare minutes as recommended by the State Comptroller's office and the independent auditor.
- 3) Effective January 1, 2015, the District Secretary will ensure that all public notices are in full compliance with Town Law prior to distributing them to the Board for review before posting.
- 4) Effective January 1, 2015, the Board has a list of all Commissioners and their terms of office posted on bulletin board in District Office in order to ensure elections are held timely and for the correct terms.
- 5) Effective January 1, 2015, the Board Minutes prepared by the District Secretary will contain the amount of all employees' salaries, pay raises, terminated employees and new employee hires.
- 6) Effective January 1, 2015, the Board Minutes prepared by the District Secretary will contain the amount of all employees' salaries, pay raises, terminated employees and new employee hires.
- 7) Effective January 1, 2015 the District Secretary will keep all personnel files up to date to include of Board approved salaries and a history of Board approved raises.
- 8) Effective January 1, 2015 the District Secretary will maintain accurate and complete minutes about Board activities and decisions made at Board meetings.
- 9) Effective January 1, 2015, the District Secretary will ensure that all public notices are in full compliance with Town Law.
- 10) Effective January 1, 2015, the District Secretary will keep an accurate record of each Commissioner's term of office by keeping an up-to-date list of all Commissioners and their terms of office posted on bulletin board in District Office.

EXPENDITURES RECOMMENDATION:

The Board should:

- 11) Update the food policy to ensure that food purchases are adequately supported and are necessary District expenses and communicate it to District personnel.
- 12) Update the travel policy to include specific allowable lodging and meal rates, and communicate it to District personnel.
- 13) Document the justification for overnight travel including the reason why the trip is necessary.
- 14) Adopt a comprehensive policy to govern the use of credit cards and communicate it to District personnel.
- 15) Ensure that expenses are adequately supported and necessary prior to approving them for payment.

The Treasurer should:

- 16) Ensure that sufficient supporting documentation is attached to each claim prior to submitting to the Board for audit and payment approval.

RESPONSE

IMPLEMENTATION PLAN OF ACTION/DATE/RESPONSIBLE PARTY

- 11) The board is currently working on an updated food policy to ensure that food purchases are adequately supported and are necessary District expenses. This policy will be effective September 1, 2015.
- 12) The Board is currently working on an updated travel policy that implements use of the GSA rates for reimbursement of meals and lodging. The policy is set to take effect on September 1, 2015.
- 13) The Board is currently working on an updated travel policy to also help determine what types of travel are considered reasonable and necessary district expenses. This policy is set to take effect September 1, 2015.
- 14) The Board is currently working on a comprehensive policy to govern the use of credit cards. The policy is set to take effect on September 1, 2015.
- 15) As of January 1, 2015 the Board has begun to ensure that all expenses are adequately supported and necessary prior to approving them for payment. They are reviewing all vouchers to verify there is sufficient documentation attached to the voucher prior to payment.
- 16) As of January 1, 2015 the District Treasurer is reviewing all supporting documentation for each claim prior to submitting to the Board for payment approval to make sure there is sufficient evidence to justify the expense as a District expense.

Signed:

Steve Grammenos, Chairman
EAST BRENTWOOD FIRE DISTRICT

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed the Secretary to gain an understanding of the Board meeting minute procedures and request any other documents available to support Board actions.
- We reviewed the minutes of the Board’s meetings from January 1, 2007 through April 30, 2014 to determine completeness of resolutions, motions and proposals.
- We reviewed original certified commissioner election results, residency information for each Commissioner and public notices advertising elections for the period January 1, 2007 through December 31, 2013.
- We reviewed personnel files and payroll history for 17 employees encompassing the period January 1, 2006 through April 30, 2014. These employees were judgmental selections: the six highest paid employees, all employees hired in the audit period (seven employees) and all four appointed officers.
- We reviewed District policies and interviewed key officials to determine procedures for credit card usage, food purchases and travel expenditures.
- We used electronic cash disbursement data and selected a sample of 177 expenditures for review, which included all credit card charges (96 totaling \$40,733), 76 food purchases reimbursed to the Department (chosen from a population of 15 checks totaling \$20,858; we judgmentally selected the four checks with the highest dollar amounts, which totaled \$7,804), one expenditure for the District installation dinner (totaling \$36,813, which represents the District’s largest food expenditure for the audit period and, based on our observation of the disbursement journal, is the only other “food” expenditure that was not already captured in the other populations) and four expenditures for travel expenses (totaling \$2,042, the total population of the non-credit card expenditures for travel and, based on our observation of the disbursement journal, are the only other “travel” expenditures that were not already captured in the credit card population).
- We reviewed each food expenditure to determine if it was adequately supported and necessary, whether the Board authorized it, whether itemized receipts or invoices were attached to the claim, reasons for purchase identified, list of people who consumed the food and whether it was procured for reasons in accordance with the District’s food policy.
- We reviewed each non-food/non-travel credit card expenditure to determine if itemized receipts were attached, reasons for the purchases were identified, the purchaser was easily identifiable and the purchase conformed to the District’s comparative shopping policy.

- We reviewed all overnight travel expenditures which occurred during the audit period to determine if the trips were adequately supported and whether they were necessary. We also quantified food and lodging expenditures to compare with GSA per diem rates.

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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