



Roosevelt Fire District Fire Station Project

Report of Examination

Period Covered:

January 1, 2014 — March 13, 2015

2015M-163



Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	3
FIRE STATION PROJECT	4
Professional Services	4
Written Agreements	5
Recommendations	6
APPENDIX A Response From District Officials	7
APPENDIX B OSC Comment on the District's Response	9
APPENDIX C Audit Methodology and Standards	10
APPENDIX D How to Obtain Additional Copies of the Report	11
APPENDIX E Local Regional Office Listing	12

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 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 Roosevelt Fire District, entitled Fire Station Project. 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*

Introduction

Background

The Roosevelt Fire District (District) is located in the Town of Hyde Park in Dutchess County. The District is a district corporation of the State, distinct and separate from the Town, and is governed by an elected five-member Board of Fire Commissioners (Board). The District covers 27 square miles and serves about 3,000 residents and the Culinary Institute of America. The District has three stations with 108 volunteer members and provides fire protection and emergency services. The Board is responsible for the District's overall financial management, including establishing appropriate internal controls to ensure that assets are properly safeguarded and financial transactions are executed in accordance with statutory and managerial authorization. The Board also has the power to levy taxes on real property in the District.

The District Treasurer (Treasurer) is responsible for the receipt, custody, disbursement and accounting of District funds. The Board appoints the Treasurer annually. The District's budgets were \$1,138,712 for 2014 and \$1,157,198 for 2015, which were funded primarily with real property taxes.

Objective

The objective of our audit was to examine internal controls over the District's fire station construction. Our audit addressed the following related question:

- Did the Board provide adequate oversight of the District's fire station project to ensure that District resources are properly safeguarded?

Scope and Methodology

We examined the Board's oversight of the fire station construction for the period January 1, 2014 through March 13, 2015. We extended our review back to the beginning of the fire station project in 2013.

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 are included in Appendix C of this report. 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.

**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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of 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.

Fire Station Project

The Board is responsible for managing and overseeing the District's fiscal affairs and safeguarding its resources. This responsibility includes establishing a system of internal controls that consists of policies and procedures that provide reasonable assurance that cash and other resources are properly safeguarded and that applicable laws, rules and regulations are followed. Town Law allows the Board to purchase land and construct buildings for the preservation, protection and storing of District vehicles, apparatus and equipment and for the social and recreational use of the firefighters and District residents.

The Board passed a resolution in 2013 to construct a new fire station to replace fire station No. 3, which was damaged by Hurricane Irene. After review and study of the project, the Board decided on a maximum cost of \$4.5 million to be funded by issuance of a \$3.4 million bond and \$1.1 million from reserve funds. We reviewed the process used to construct the station and found that the Board followed applicable laws. We also reviewed construction-related expenditures and found that the expenditures were within the Board approved amount. However, the District did not use competition to procure professional services totaling \$568,289 obtained from seven providers related to the fire station project. In addition, the District did not have written agreements with four professional service providers that the District used during the fire station project.

Professional Services

General Municipal Law (GML) does not require the District to use competitive bidding when procuring professional services that involve specialized skill, training and expertise; the use of professional judgment or discretion; or a high degree of creativity. However, GML requires the District to adopt policies and procedures that govern the procurement of goods and services when competitive bidding is not required. Using a request for proposals or quotation process is an effective way to ensure that the District receives the most favorable terms and conditions when procuring professional services. The appropriate use of competition provides taxpayers with the greatest assurance that services are procured in the most prudent and economical manner without favoritism.

Although the District's procurement policy states that the Board does not need to solicit multiple quotes when procuring professional services, the policy also gives the Board the right to obtain proposals to obtain a fair market rate. To help the Board determine when it is appropriate to obtain proposals, the policy indicates that the Board "will be guided by the best interest of the district and its taxpayers."

We examined all seven payments totaling \$568,289 made to professional service providers for the fire station project from January 1, 2013 to April 2015 and reviewed the process the Board used to select these vendors. District officials were unable to provide us with any documentation to indicate that the Board used competition when procuring these service providers. Payments to these service providers included:

- \$390,485 for architectural services. A Board member told us that Dutchess County used the services of this architectural firm in the past, and, although the District considered another architect as well, the Board decided to choose this service provider because of the architectural firm's reputation.
- \$84,000 to a clerk of the works.¹ A Board member told us that the District investigated different companies that provided these services. However, the Board selected this particular company because the District's chosen architectural firm had worked with this company before and recommended it.
- \$40,578 for soil testing services. A Board member told us that the architect recommended this company to the District because he had used the vendor in the past.
- \$19,500 for cost estimate services.² District officials told us that the architect recommended this company to the District.
- \$13,625 for bond legal counsel. The District's attorney recommended that the District use this legal firm.

While the District followed its procurement policy, which did not require the Board to use competition when procuring professional services, District officials cannot assure taxpayers that they are procuring the most economically beneficial and qualified service providers and that these procurements were not influenced by favoritism.

Written Agreements

The District's procurement policy requires all contracts to be written. Written agreements or contracts between the District and professional service providers provide both parties with a clear understanding of

¹ A clerk of the works is employed by an architect on the behalf of a client or by the local government to oversee public works. The role of a clerk of the works is to observe and record the work being performed to ensure that the quality of materials and workmanship is in accordance with design information, such as specification and engineering drawings, and recognized quality standards.

² This company provided construction cost estimates but did not perform the actual work on the fire station.

the services expected to be provided and the compensation for those services. Therefore, it is important for the Board to enter into written agreements with professional service providers that indicate the contract period, services to be provided and basis for compensation for those services. The Board may choose to pass a resolution as a suitable method of authorization when procuring goods and services. However, the resolution must clearly state the services to be provided and the basis for compensation to the vendor or service provider.

We reviewed all seven professional service providers used by the District during its fire station project to determine whether the Board entered into written agreements or contracts with the vendors in accordance with its procurement policy. We found that the Board did not enter into written agreements with four contractors that were paid a total of \$53,226 for legal, financial and cost estimate services.

Because the Board did not comply with the written contract portion of the District's procurement policy, District officials do not have a documented understanding of the level of compensation to be paid to these service providers or the extent of services to be provided by them. Also, without written agreements, the District has no contractual or legal protection in the event that any of the service providers default on their obligations.

Recommendations

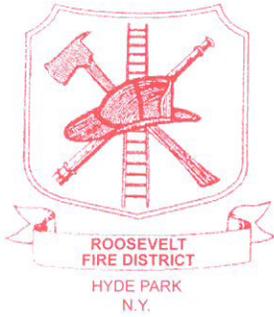
The Board should:

1. Amend its policy to include the use of competitive methods to obtain professional services.
2. Fully implement the District's procurement policy by ensuring that District officials enter into written agreements with professional service providers. The Board may pass a resolution for this purpose with adequate information regarding the services to be provided and the basis for compensation.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Roosevelt Fire District

POST OFFICE BOX No. 394

HYDE PARK NEW YORK

845-454-6299

Fax 845-454-4580

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

RE: Draft Audit and Corrective Action Plan

September 30, 2015

Dear Ms. Blamah:

This letter is in response to the preliminary draft findings and recommendations of your office's recent examination of the Roosevelt Fire District. We would first like to thank you for your professionalism and courteousness, during the audit process. Your staff were easy to work with and understanding of the time constraints our staff face as a small fire district.

In regards to your recommendation, that we amend our procurement policy to include the use of competitive methods to obtain professional services. The Board of Fire Commissioners and our Fire District Attorney will review our Procurement Policy, in relation to Professional Services, under the recommendation of your audit findings. Upon review the Board will make any corrections deemed necessary from this review. However, the Board would like to express, that in procuring Professional Services cost is not the only factor, in determining if taxpayers are procuring services in the most prudent and economical manner. Other factors that need to be considered are specialized expertise, creativity, professional judgement, trust and confidence.

See
Note 1
Page 9

The Board will also fully implement their procurement policy in regards to having written agreements with all professional service providers. All future engagements with professional service providers will either have a written contract or the Board will pass a resolution outlining services to be provided and the basis for compensation.

Sincerely,

William B. Ollivett, Chairman
Roosevelt Fire District

APPENDIX B

OSC COMMENT ON THE DISTRICT'S RESPONSE

Note 1

The audit report did not state that cost should be the only factor considered when procuring professional services. The appropriate use of competition provides taxpayers with the greatest assurance that services are procured in the most prudent and economical manner without favoritism.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the internal controls over the District's fire station project for the period January 1, 2014 through March 13, 2015. We extended our review back to the beginning of the fire station project in 2013.

To accomplish our audit objectives and obtain relevant audit evidence, we performed procedures that included the following:

- We interviewed District officials to gain an understanding of the District's internal control policies and procedures used to control, record and monitor assets and transactions.
- We reviewed the minutes of the Board's proceedings to determine whether proper authorizations and approvals were given for all transactions.
- We reviewed applicable Board resolutions to determine whether adequate procedures were followed during the construction of the new fire station.
- We reviewed all payments made for the fire station project to determine whether District officials complied with applicable policies and laws.
- We traced all payments to the applicable reserve accounts to ensure that amounts expended were within the approved total amount for the fire station project.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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