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February 6, 2015

James Bruckner
Chairman of the Board of Fire Commissioners
Holtsville Fire District
1025 Waverly Avenue
Holtsville, NY 11742

Report Number: S9-14-38

Dear Mr. Bruckner:

The Office of the State Comptroller works to help fire district officials improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of 10 fire districts and municipalities throughout New York State. The objective of our audit was to determine if fire districts and municipalities awarded length of service award program (LOSAP) credits accurately. We included the Holtsville Fire District (District) in this audit. Within the scope of this audit, we examined the District's LOSAP and supporting documentation and activities of eligible volunteer firefighters for the period January 1, 2012 through December 31, 2013.

This report of examination letter contains our findings and recommendations specific to the District. We discussed the findings and recommendations with District officials and considered their comments in preparing this report. District officials were provided an opportunity to respond to our findings and recommendations within 30 days of the exit conference, but they did not respond. At the completion of our audit of the 10 districts and municipalities, we prepared a global report that summarizes the significant issues we identified at all the units audited.

Summary of Findings

We found that the District did not establish standards and procedures to ensure that volunteer firefighters received an accurate "year of firefighting service" credit (LOSAP service credit), resulting in nine volunteer firefighters not receiving appropriate LOSAP service credit. Specifically, eight volunteer firefighters earned enough points to receive one year of LOSAP service credit; however, the District did not award service credit to these volunteer firefighters because they were new to the District's fire department. One

volunteer firefighter earned less than 50 points, but was inappropriately awarded LOSAP service credit.

Background and Methodology

The District is a district corporation and political subdivision located in the Town of Brookhaven in Suffolk County. The District provides fire protection and other emergency services to the Town of Brookhaven. The District provides emergency rescue services through an emergency rescue squad, which operates an ambulance.¹ An elected five-member Board of Fire Commissioners (Board) governs the District and is responsible for overseeing the District's LOSAP.

The District's 2013 budget appropriations totaled approximately \$2.3 million. As of December 31, 2012, the District's LOSAP assets totaled \$2.7 million. The District's contribution for the 2012 LOSAP was approximately \$375,000.

When a fire district sponsors a LOSAP, district officials are required to establish a point system that complies with New York State General Municipal Law (GML). GML establishes the activities that can be included in the point system. The activities for which points can be granted include participation in department responses, training courses, stand-bys and sleep-ins, serving in an elected or appointed position, teaching fire prevention classes, attending certain meetings, drills and certain miscellaneous activities. Although a fire district can select which activities to include in its point system, in most instances, GML specifies the number of points that can be granted each time an activity is performed and the maximum number of points that can be earned for performing each activity over the course of a year. However, a fire district is under no obligation to include in its point system every activity specified in GML.

Active volunteer firefighters earning 50 service award points annually must be credited with one year of LOSAP service credit. Points must be granted in accordance with the point system established by the LOSAP sponsor. Annually,² each volunteer fire company is required to submit a list (certified under oath) to the fire district's governing board identifying all volunteer firefighters of the district's fire department who earned at least 50 points during the preceding year. The governing board is required to review the list and approve the final annual certification, at which time each volunteer firefighter on the list must be awarded one year of LOSAP service credit.

In 1991, the District created a defined benefit LOSAP to facilitate recruitment and retention of active volunteer firefighters by providing a pension-like benefit based upon their years of service to the District. In general, upon reaching entitlement age of 55, participants in the District's LOSAP receive a life annuity benefit guaranteed for at least 10 years. The benefit is presently \$30 a month for each year of service up to 40 years. In 2012, the LOSAP had 72 volunteer firefighters receiving LOSAP service credit.

¹ District officials were unable to locate any documentation formally organizing the unit as an "emergency rescue first aid squad" under GML Section 209-b, and whether the district properly established such a squad is outside the scope of this audit. However, in view of the unit's functions, we assume that it has been duly organized as an emergency rescue first aid squad for purposes of this report.

² On or before March 31

We examined the District's internal controls over its LOSAP and reviewed records and reports for the period January 1, 2012 through December 31, 2013.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and conduct our audit to adequately assess those District operations within our audit scope. Further, those standards require that we understand the District's management controls and those laws, rules and regulations that are relevant to the District's operations included in our scope. An audit includes examining, on a test basis, evidence supporting records for LOSAP-eligible activities and applying such other auditing procedures we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report. More information on such standards and the methodology used in performing this audit is included in Appendix A of this report.

Audit Results

A fire district sponsoring a LOSAP is required to adopt standards and procedures in conformance with GML for administering its LOSAP. The governing board should ensure that complete and accurate records of volunteer firefighters' activities under the point system are prepared and maintained in accordance with its standards and procedures.

We reviewed the District's point system to determine which activities volunteer firefighters may perform to earn points toward LOSAP service credit and if the point system is in alignment with GML. The District's point system allows points to be earned for training courses, drills, sleep-ins and standbys, serving in an elected or appointed position, attending certain meetings, teaching fire prevention classes, participation in department responses and certain miscellaneous activities.³ The point system defines points per activity and maximum points for certain types of activities.

We found that the District did not establish standards and procedures to ensure the accurate award of LOSAP service credits, resulting in nine volunteer firefighters not receiving appropriate LOSAP service credit.

LOSAP Service Credit Accuracy – The District's point system requires that one year of LOSAP service credit shall be credited for each year after establishment of the LOSAP in which an active volunteer firefighter accumulates at least 50 points.

We found that nine volunteer firefighters have not received the appropriate LOSAP service credit during the scope period. Specifically, based on review of points earned from the District's records, eight volunteer firefighters earned 50 or more points and should have earned one year of LOSAP service credit but did not. District officials explained that these volunteer firefighters were not awarded one year of LOSAP service credit because they were all new volunteer firefighters, and the District officials did not

³ The District's point system also provides points to active volunteer firefighters who are totally and temporarily disabled or partially and permanently disabled during the course of service as a volunteer firefighter while actively engaged in providing line of duty services. According to District officials and our review of the District's LOSAP reports, no points for such disabilities were provided during our scope period.

think these new volunteer firefighters were eligible to earn LOSAP service credit. Thus, these volunteer firefighters were not included on the annual list to be awarded service credit. Conversely, one volunteer firefighter was awarded one year of LOSAP service credit, but should not have because the volunteer firefighter had less than 50 points. District officials explained that this volunteer firefighter traditionally earned annual LOSAP service credit and the District erroneously assumed that the volunteer firefighter had earned enough points to receive LOSAP service credit.

Recommendations

The Board should:

1. Establish standards and procedures to ensure that the annual list of volunteer firefighters eligible for LOSAP service credit includes all volunteer firefighters who earn 50 or more points.
2. Implement standards and procedures to ensure that the Board approves LOSAP service credit only for volunteer firefighters who earn 50 or more points.

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 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 Clerk's office.

We thank the officials and staff of the Holtsville Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed District officials to gain a better understanding of the control environment at the District. Our steps included the following:

- We reviewed relevant documentation regarding the District's LOSAP, including policies and procedures, bylaws, Board minutes and other documents applicable to our audit objective.
- We tested the District's point structure in comparison to GML requirements.
- We compared the District's adopted point system to the District's software system maintained for LOSAP service credit and the reports from that software.
- We reviewed all attendance documentation for 10 volunteer firefighters at the District for 2012 and 2013 to determine whether the District's LOSAP software reports were reliable.
- We tested the controls over the District's finger scanning devices used to track LOSAP attendance to determine whether they were reliable.
- We tested the software reports against the Board-certified list of volunteer firefighters receiving LOSAP service credit for all volunteer firefighters in 2012 and 2013 to determine if the volunteer firefighters were receiving LOSAP service credit accurately in accordance with the District's point system and GML.