

Danby Fire District

Claims Audit

FEBRUARY 2021



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

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Report Highlights

Danby Fire District

Audit Objective

Determine whether the Board of Fire Commissioners (Board) of the Danby Fire District (District) adequately audited claims to ensure purchases had supporting documentation and were proper District expenditures.

Key Findings

The Board did not adequately audit claims and it authorized some unallowable claims to be paid prior to audit. The District:

- Made 14 disbursements totaling more than \$9,200 that could not be paid prior to Board approval.
- Did not follow its credit card usage policy requiring supporting charge slips for four credit card purchases totaling almost \$1,000.

Key Recommendations

- Only authorize the Treasurer to prepay those expenditures allowed by Town Law prior to Board audit and approval.
- Ensure all purchases have proper supporting documentation, including credit card charge slips.

District officials agreed with our recommendations and indicated they will take corrective action.

Background

The District provides fire protection and emergency services to the Town of Danby in Tompkins County.

The District is governed by an elected five-member Board. The Board is responsible for the District's overall financial management and safeguarding its resources. The Board-appointed Treasurer is the chief fiscal officer and is responsible for receiving, disbursing, recording and maintaining custody of all District money.

Quick Facts

Disbursements During Audit Period	\$1.28 million
2020 Appropriations	\$559,000
2020 Real Property Tax Levy	\$559,000

Audit Period

January 1, 2019 – July 31, 2020

Claims Audit

What Is an Adequate Claims Auditing Process?

The audit and approval of claims is an important board responsibility to oversee district expenditures. The board is required to perform a thorough and deliberate audit of claims before they are paid to ensure that they contain enough supporting documentation to determine whether they comply with statutory requirements and district policies and represent actual and necessary district expenditures. The board may, by resolution, authorize the payment in advance of the audit of claims for light, telephone, postage, freight and express charges. However, all such claims must be presented at the next regular board meeting for audit.

The Board Did Not Always Adequately Audit Claims

The Board audited claims monthly and generally ensured District policies were being followed. The Board authorized the Treasurer, by resolution, to pay for natural gas, electricity, telephone, internet, propane, fuel, postage and water usage prior to Board audit and approval. However, the Board also authorized payment for credit card and retail store charge accounts¹, approved insurance policies, other approved contracts and other day-to-day expenditures prior to Board audit and approval.

We selected 43 canceled checks (18 of these were for credit card or charge account payments), totaling almost \$25,800, and reviewed the supporting claim documentation. Besides minor discrepancies discussed with officials, all 43 payments were for legitimate District expenditures. However, we found:

- 14 disbursements totaling more than \$9,200 were paid prior to Board audit.
 - 13 of these claims were presented to the Board for audit at the next meeting but only one purchase for \$7 was allowed to be paid in advance.
 - One \$258 claim was for blank voucher stock for the accounting system and was not presented to the Board for audit.
- District officials did not adhere to the District's credit card policy.
 - Four credit card purchases related to travel for an inspection of a new brush truck and totaling almost \$1,000 that were paid even though the credit card user did not submit appropriate support documentation.

District officials told us the Board authorized the Treasurer to pay certain expenditures prior to Board audit to avoid late charges. However, by allowing certain items to be paid in advance of Board audit and not requiring adequate supporting documentation, there is an increased risk that unauthorized purchases could occur and go undetected by District officials.

¹ Hereafter referred to as "charge accounts."

What Do We Recommend?

The Board should:

1. Only authorize the Treasurer to pay those claims allowed by Town Law prior to Board audit and approval.
2. Ensure that all purchases have proper supporting documentation, including credit card charge slips.

Appendix A: Response From Fire District Officials



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Serving the Danby Community since 1946.

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Office of the State Comptroller
Division of Local Government & School Accountability
PSU-CAP Submission
110 State Street, 12th floor
Albany NY, 13236

January 7, 2021

Re: Written response to Draft Audit Report
Corrective Action Plan – Audit report 2020M-149

We agree with all the findings and recommendations included in the Draft Audit Report. We appreciate the opportunity to participate in the audit and appreciate the professionalism displayed by the OSC audit team.

1. Audit Recommendation: Only authorize the Treasurer to prepay those expenditures allowed by Town Law prior to Board and Audit Approval.

Implementation Plan:

We will modify our existing payment procedures to allow only those expenditures to be paid that coincide with the Town Law prior to Board and audit Approval

Payments that must be paid between Board Meetings, and that are not those allowed by town law, will be individually approved by at least 3 Board members prior to payment. That means the payment voucher and supporting detail will be reviewed and signed off on prior to payment. We will modify our procedures to meet these requirements.

2. Audit Recommendation: Ensure all purchases have proper supporting documentation, including credit card charge slips.

Our existing policy requires that all purchases have original supporting documentation for all expenditures. The non adherence to policy was a single activity related to the purchase of an asset. That activity required out of town travel. Other than that activity the existing policy was followed for all other payments made.

This institution is an equal opportunity provider, and employer.

At the next Board meeting scheduled for January 12th we will reiterate the need for original documentation to support payments and will stress that if that documentation is not provided the payments will not be approved. We will also impress upon the Board the need for original documentation and detailed review prior to approval. That discussion will be included in the meeting minutes.

Implementation Date:

The planned implementation date for Audit Recommendation 1 is no later than March 31, 2021.

The planned implementation for Audit Recommendation 2 is January 31, 2021.

Person responsible for Implementation:

The Board of Fire Commissioners of the Danby Fire District under the direction of Chairman Wayne Westmiller, along with the Treasurer and Secretary as required, are responsible for the implementation.

Respectively submitted,

Wayne Westmiller
Chairman of the Board
Danby Fire District.

January 7, 2021

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 District officials and reviewed board meeting minutes, resolutions and policies to gain an understanding of the disbursement and claims auditing processes.
- We scanned the bank statements and judgmentally selected a sample of 25 canceled check images (not including the credit card and retail store charge account disbursements) to determine whether the claims were adequately supported, audited and approved by the Board prior to payment, for appropriate District expenditures and if they followed District policies. We traced them to the Board approved abstracts and voucher packages, bills and invoices, travel applications and bid and quote documentation.
- Starting with February 2019, we judgmentally selected every other month to test credit card and charge account claim disbursements. We reviewed nine months of bank statements and canceled check images. We reviewed all 18 canceled check images for payments for credit card and charge account charges. We traced them to Board approved abstracts and voucher packages, bills, invoices and statements, travel applications and bid and quote documentation to determine whether the claims were adequately supported, audited and approved by the Board prior to payment, for appropriate District expenditures and followed District policies.

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/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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?title=&body_value=&field_topics_target_id=263206&issued=All

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/sites/default/files/local-government/documents/pdf/2020-05/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?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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