

# Elsmere Fire District

## Capital Project

AUGUST 2022



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

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# Report Highlights

## Elsmere Fire District

### Audit Objective

Determine whether Elsmere Fire District (District) officials properly established and managed the South Station capital project.

### Key Findings

District officials properly established and managed the South Station capital project. Officials:

- Obtained voters' approval for the construction project and bond financing.
- Prepared an itemized budget and properly obtained and approved competitive bids.
- Reviewed and approved claims totaling \$559,354 before payment.
- Reviewed and approved all 10 change orders totaling \$35,365.

There were no recommendations as a result of this audit.

### Background

The District provides fire protection services for portions of the Town of Bethlehem in Albany County.

The District is governed by an elected five-member Board of Fire Commissioners (Board), which is responsible for developing an annual budget and overseeing the District's financial management.

The Board appoints a Treasurer who is the District's chief fiscal officer. The Treasurer is responsible for receiving and maintaining custody of funds, disbursing and accounting for those funds and preparing monthly financial reports. During our audit period the Treasurer also served as the District's Secretary (Treasurer/Secretary).

In December 2017, District voters approved a \$1.3 million bond resolution adopted by the Board to finance an estimated \$1.4 million project to construct a fire substation.

### Quick Facts

Estimated Project Cost	\$1,400,000
Actual Project Cost	\$1,657,801
Debt Issued	\$1,300,000

### Audit Period

November 1, 2017 – December 31, 2019. We extended the scope back to April 26, 2017 to review the selection process for project management services.

# Capital Project

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The Elsmere Fire District planned and constructed the South Station fire house (project) located on Feura Bush Road to better serve the District's southern portion.

## How Should a Board Plan and Authorize Capital Projects?

Proper planning of a capital project (project) requires a fire district board to have a thorough understanding of the project's overall scope and cost before authorizing the project. Estimated costs must be realistic to allow the board to plan sufficient financing for the project. At the beginning of the project, the board should adopt a resolution to identify the project's scope, authorize the maximum project cost and establish how the project will be financed.

The fire district board must inform taxpayers of a project's scope and planned financing sources before holding a vote to approve bond financing for a project.

A fire district board should seek requests for proposals or competitive bids for project work performed to ensure that contracts provide the best value for taxpayers. Also, a fire district board should review and approve any project amendments, including change orders, to confirm all changes are valid and within the project's scope.

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Estimated costs must be realistic to allow the board to plan sufficient financing for the project.

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## Officials Properly Planned and Authorized the Project

Before beginning the project, the Board discussed the need for a substation to better serve the District's southern portion. To assist in the design and oversight of the project, the Board selected a project management firm that was responsible for the design of the project and overseeing the entire construction.

To select a project management firm, officials sent letters to eight project management firms requesting that they send a letter of interest and their qualifications to the District for consideration by the Board. The District received four responses and, from these, selected a firm according to the District's procurement policy and based on the applicants' qualifications, experience, locations and proposed costs.

The Board Chairman and Secretary/Treasurer told us that the District conducted several meetings with the selected project management firm to determine an estimated project cost. The Board then adopted a resolution calling for a proposition to be submitted to the voters to seek approval for a project with a maximum cost of \$1.4 million, which would be financed with a debt issuance of \$1.3 million and \$100,000 from District funds. District voters approved the project on December 12, 2017.

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The District procured contractor services to construct the project through a bid process. Officials obtained bids for five contracts: general construction; general plumbing; heating, ventilation and air conditioning (HVAC); electrical; and a pre-engineered building. (A pre-engineered building uses a prefabricated skeleton and has specifications that are determined before its building materials are produced.) The initial bids resulted in costs totaling \$1,876,715 that exceeded initial estimates by \$476,715.

The District initially received only one bid for general construction, which was higher than expected. Based on advice from the project manager (employed by the selected project management firm), the District rebid the general construction portion of the project. The District received five bids in response to the second bid for general construction, and the Board chose the lowest bid of \$618,951. This amount was more than \$300,000 below the initial bid results.

The Board publicly discussed the increase in the project budget and identified additional funding sources, which included \$220,000 from District reserves, \$100,000 from District operating funds and \$10,000 from a revolving loan.

### **How Should Officials Monitor a Capital Project and Use Bond Proceeds?**

Fire district officials must ensure that all project work is completed within the project's scope. A fire district board should review and approve all claims and change orders before they are paid to ensure the amounts claimed represent actual and necessary project expenditures. Fire district officials should prepare an itemized budget to monitor project costs and the project's scope.

A fire district board should audit and approve all claims for goods and services related to the project before they are paid. An effective claims audit process helps ensure that all claims are independently, thoroughly and deliberately reviewed in a timely manner before they are authorized for payment. In addition, the claims audit process should ensure that claims contain adequate supporting documentation. This documentation should clearly indicate that amounts claimed represent actual and necessary project expenditures and comply with executed contracts.

A fire district must use a separate bank account for bond proceeds issued to finance capital projects. This allows fire district officials to closely monitor the use of bond proceeds to ensure that the fire district expends bond proceeds only for the object or purpose for which the obligations are issued and the accurate disposition of unexpended balances when a project is complete.

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The District initially received only one bid for general construction, which was higher than expected.

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## Officials Properly Monitored the Capital Project and Accounted for Bond Proceeds

The Board Chairman (Chairman) monitored the project's progress on a weekly basis and monitored project costs by reviewing the claims and change orders and inspecting the work completed. On a monthly basis, the Chairman reported the status of the work completed and progress of the construction to the Board.

The Board relied on the architect's "Progress of Construction" reports to monitor the budget-to-actual status of the architect's portion and the construction portion of the project. The Treasurer maintained records of initial project costs and related miscellaneous project purchases made by the fire district. The Treasurer provided us with detailed information of these costs, which we used to determine the total cost of the capital project.

All claims submitted by the construction vendors included a progress report as supporting documentation. During monthly Board meetings, the Board reviewed the claims and the progress reports.

We reviewed 17 claims totaling \$559,354 and found that they were supported by adequate documentation, were for appropriate project purposes and were audited and approved prior to payment. We also reviewed all 10 project change orders totaling \$35,365 and found that the project manager, Chairman and the entire Board reviewed and approved them.

Additionally, District officials deposited bond proceeds totaling \$1,300,000 in a separate bank account. All the funds were used to pay the project costs, without any bonds proceeds remaining at the end of the project.

We reviewed 15 disbursements totaling \$533,195, which were paid with bond proceeds, and found that they were used to pay related capital project costs. By fulfilling their responsibility to review and approve claims and maintaining accurate records, District officials adequately managed the project's progress and properly used the bond proceeds.

### Conclusion

Through adequate monitoring and by properly reviewing and approving claims and maintaining accurate records, District officials properly established and managed the South Station capital project.

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All the funds were used to pay the project costs, without any bond proceeds remaining. ...

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# Appendix A: Response From District

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## BOARD OF FIRE COMMISSIONERS

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**TOWN OF BETHLEHEM ELSMERE, NEW YORK**

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**Counsel**  
Tereasa S. Haunigan

Mr. Gary G. Gifford, Chief Examiner  
Office of the State Comptroller  
One Broad Street Plaza  
Glens Falls, NY 12801-4396

July 12, 2022

Dear Chief Examiner Gifford,

Thank you for providing your office's draft of Elsmere Fire District Capital Project Report of Examination 2022M-48. We appreciated the opportunity to thoroughly review it with members of your staff at our exit conference.

The report has been discussed by the Board of Fire Commissioners of the Elsmere Fire District and we are in agreement with the Audit Results.

We found the examination process to be both an informative and a positive experience. We are particularly pleased that, as a result of your staffs' thorough audit practices, the examination resulted in no findings. Our personnel were impressed with the professionalism, knowledge and thoroughness exhibited by your field staff during this process.

Sincerely,

Richard S. Webster  
Chairman

[www.elsmerefire.com](http://www.elsmerefire.com)

## Appendix B: Audit Methodology and Standards

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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 the Board minutes to determine whether the Board adopted a resolution at the project's inception that identified the project, authorized the maximum estimated cost and established how the project would be financed. We also determined whether the Board prepared an itemized budget, obtained voter approval and issued a bond for the project.
- We reviewed meeting minutes and vendor payment history files and interviewed District officials to identify professional service providers for the project and determine whether the District procured professional services properly.
- We reviewed all bid documentation to determine whether officials properly awarded bids.
- We used our professional judgement to review 17 claims totaling \$559,354 to determine whether the claims had adequate supporting documentation, were for appropriate project purposes and were audited and approved prior to payment. Of the 17 claims, we chose to review nine that were submitted by project bid winners and one submitted by the architect company. We chose to review the remaining seven claims based on purchase type, company name and type of sales to determine whether the purchases were relevant to the project.
- We reviewed all change orders totaling \$35,365 to determine whether the Board approved them.
- We verified that bond proceeds were deposited in a separate bank account. We also reviewed 15 disbursements totaling \$533,195, related to the 17 claims that we reviewed, to determine whether officials used the bond proceeds for their intended purpose. We did not include the remaining two disbursements in our testing because the payments were not made with bond proceeds.

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.



## Appendix C: Resources and Services

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### **Regional Office Directory**

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

[www.osc.state.ny.us/local-government/publications](http://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](http://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

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