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February 14, 2014

Earl Zimmerman, Chairman
Members of the Board of Fire Commissioners
Snyder Fire District
4531 Main Street
Snyder, NY 14226

Report Number: 2013M-365

Dear Mr. Zimmerman and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works to identify areas where fire district officials can 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 the Snyder Fire District (District) which addressed the following question:

- Did the District adopt a procurement policy to ensure the best possible price was received for purchases?

We discussed the findings and recommendations 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 they planned to initiate corrective action.

Background and Methodology

The Snyder Fire District is a district corporation of the State, distinct and separate from the Town of Amherst, located in Erie County. The District's general fund budget totaled \$1.4 million for the 2013 fiscal year.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The Board appoints a Treasurer who acts as the

District's chief fiscal officer. The Treasurer is responsible for the receipt and custody of District funds, for disbursing and accounting for those funds, for preparing monthly and annual financial reports, and for meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period January 1, 2012 through November 20, 2013. We interviewed appropriate District officials and reviewed financial records and Board minutes. We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Audit Results

The Board is responsible for overseeing the District's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish a system of internal controls, which consists of policies and procedures that ensure that transactions are properly authorized and executed in the best interests of District taxpayers. For example, the Board should adopt a procurement policy requiring District officials to obtain quotes for purchases and public works contracts not subject to the competitive bidding requirements. This policy should be reviewed and updated by the Board annually.

We found that the Board generally provides adequate oversight of District financial activities. However, the Board did not annually review and update its adopted procurement policy. Currently, the District's procurement policy requires officials to obtain three written quotes for purchases costing from \$5,000 to \$10,000 but does not address the process to be followed for purchases between \$10,000 and \$20,000.¹

The District annually spends approximately \$9,000 for natural gas and \$13,000 for electricity. We found that the Board was not soliciting proposals for either of these purchases. We reviewed natural gas and electricity bills from September 2012 through September 2013 and compared the rates the District paid with rates charged by a local energy cooperative. The cooperative includes multiple entities, three of which are fire halls with similar usage to the District. We reviewed the rates for the same time period for these fire halls and found that the District's natural gas utility rates were comparable to the rates charged by the cooperative, but the District's electricity rates were more than the rates charged by the cooperative. We estimate that the District officials could have saved approximately \$4,000 on their electricity bills if they had obtained quotes for these purchases.

Recommendations

1. The Board should review and update its procurement policy.
2. District officials should solicit proposals from various natural gas and electricity providers to ensure that they are paying the best possible price for utilities.

¹ The competitive bidding threshold is currently \$20,000 for purchases.

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

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

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

The District's response letter refers to attachments that support the response letter. Because the District's response letter provides sufficient detail of its actions, we did not include the attachments in Appendix A.



SNYDER FIRE DISTRICT

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COMMISSIONERS

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SECRETARY
JAMES E. KOEPEL

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SNYDER, N.Y. 14226

February 3, 2014

Office of the State Controller
Buffalo Regional Office

295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Subject: Report # 2013M-365

Dear Sir,

The Snyder Fire District respectfully submits this Audit Response and Corrective Action Plan for your consideration regarding the recommendations presented as a result of your audit and the draft report reviewed during the recent exit meeting.

Your report found that the Fire District's Procurement Policy did not address the process to be followed for purchases between \$10,000 and \$20,000. This was an oversight and a draft of a newly revised Procurement Policy is attached. A resolution will be presented at the Fire District Meeting on February 18, 2014 to adopt this policy. An informal canvassing of the Board members revealed that the resolution will pass unanimously. It should be noted that the Snyder Fire District "Informal Bid Documentation" sheet (copy attached) which was approved by Board resolution at the June 13, 2013 District meeting does address the procedures for all purchases.

The second recommendation contained in the report states that the District should solicit proposals from various natural gas and electricity providers to determine if the District is receiving the best price for these utilities. As Chairman of the Board, I will be appointing a committee at the February 18, 2014 District meeting to solicit proposals from various utility providers to determine if a cost savings can be realized.

It is my belief that the recommendations contained in your draft report have been adequately addressed. Should you require any additional information or feel a need to request further corrective action do not hesitate to contact me.

Sincerely

Earl L. Zimmerman Jr.
Chairman

Enc.