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July 2016

Ryan Blondo, Chairman
Members of the Board of Fire Commissioners
Altona Fire District
PO Box 184
480 Devil's Den Road
Altona, NY 12910

Report Number: 2016M-162

Dear Chairman Blondo 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 Altona Fire District (District) which addressed the following question:

- Were claims supported by adequate documentation, for appropriate purposes and audited and approved prior to payment?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Altona in Clinton County. The District's 2016 general fund budgeted appropriations total approximately \$628,000 and are funded primarily by real property taxes.

The Board of Fire Commissioners (Board) is composed of five elected members and is responsible for the District's overall financial management and safeguarding its resources. The Board appoints a Treasurer who acts as the District's chief fiscal officer and is responsible for the receipt and

custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements.

We examined the District's claims auditing process for the period January 1, 2015 through February 29, 2016. 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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not our 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.

Audit Results

With limited exceptions,¹ New York State Town Law (Town Law) requires the Board to audit all claims against the District and, by resolution, to order payment by the Treasurer of the amounts allowed. Effective claims auditing procedures ensure that every claim against the District is subjected to a thorough and deliberate review and contains adequate supporting documentation to determine whether it complies with statutory requirements and District policies, and that the amounts claimed represent actual and necessary District expenditures. It is important that the Treasurer submit all claims to the Board and that the specific claims audited by the Board be documented in the Board minutes.

On a monthly basis, the Treasurer provides the Board members with an abstract (i.e., list of claims) and the corresponding claims for its audit and approval. The Board Chairman and a Commissioner indicated that the Board performs a deliberate audit of each claim before the Treasurer is authorized to make a payment, which is indicated by the Commissioners' signatures on the corresponding abstract and adoption of a Board resolution. However, the Board-adopted resolutions did not include any information documenting the specific claims that were audited and approved.

We reviewed 100 check disbursements² and the corresponding claims totaling \$424,382 to determine whether the claims paid were supported by adequate documentation, for appropriate District purposes and audited and approved prior to payment. We found that 15 claims totaling \$2,523 included payments of \$2,278 for purchases that were not supported by any documentation. These claims were predominately for purchases at a local gas station, automotive repair shop and hardware store. When we discussed these claims with District officials, they told us that they were for appropriate District purposes. However, without adequate documentation, we were unable to determine if these claims were, in fact, for appropriate District purposes. Except

¹ The Board may, by adopting a resolution, authorize payment in advance of audit for claims for public utility services (light and telephone), postage, freight and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

² We used a computerized random number generator to select these disbursements from the 207 disbursements totaling \$772,418 that were issued during the audit period.

for minor discrepancies that we discussed with District officials, the claims for the remaining 85 disbursements were for appropriate District purposes.

We found that the Board properly audited and approved the claims for 28 disbursements totaling \$87,103. However, the Board did not audit and approve the claims for six disbursements totaling \$5,837. These disbursements included payments for various District-related purchases, such as insurance and fire equipment.

In addition, the Board could not provide us with supporting documentation to show that it audited and approved the claims for 66 additional disbursements totaling \$331,442 prior to payment. Seven of these claims totaling \$317,741 were for monthly payments for ambulance services. These deficiencies occurred because the Commissioners did not record the date of their approval on the corresponding abstract for these claims and the Board minutes did not include resolutions specifying the claims that were audited and approved.

Although we did not find any material discrepancies, when claims are paid without adequate supporting documentation and in advance of Board approval, there is an increased risk that unauthorized claims could be paid by the District and remain undetected.

Recommendations

The Board should:

1. Ensure that all claims are supported by adequate documentation prior to approving the claims for payment.
2. Ensure that the audit and approval of claims for payment is adequately documented.

The Treasurer should:

3. Ensure that no claim against the District, other than those allowed under Town Law, is paid prior to the Board's audit and approval.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of 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 Altona Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Altona Fire District, Inc.
480 Devils Den Road
P.O. Box 184
Altona, New York 12910

Office of the State Comptroller
Division of Local Government & School Accountability
PSU – CAP Submission
110 State Street, 12th floor
Albany, NY 12236

Unit Name: Altona Fire District
Audit Report Title: Audit Response Letter and Corrective Action Plan
Audit Report Number: 2016M-162

To New York State Deputy Comptroller, Gabriel, F. Deyo,

The Board of Fire Commissioners of the Altona Fire District would like to thank the Office of State Comptroller (OSC) for their recent audit of our documentation practices in regards to board review and approval of bills prior to payment. It has been, and continues to be, a primary goal of our board to develop and provide sound management of taxpayer funds that have been entrusted to us. We are pleased that the results of this audit provided us with insight on how to make the financial controls our district has in place more evident. Each of the three recommendations made in the OSC audit report will be addressed below. This audit response is also serving as our Corrective Action Plan (CAP) and it should be noted that at the signing of this letter all corrective actions have been implemented by the district.

Audit Recommendation:

1. Ensure that all claims are supported by adequate documentation prior to approving the claims for payment.

Board Response:

The claims being referenced in this recommendation were for maintenance of district vehicles and buildings. It was standard practice that the board understood the necessity of purchases made for general maintenance (including items such as gasoline for department vehicles, repair of emergency vehicles, replacement light bulbs, etc.) before payment was made. In the past, some invoices for district maintenance items, particularly those from local vendors that were of little cost and reasonable need, did not have itemized receipts attached. The board obtained verbal verification of items that were purchased for maintenance.

Implementation of Action Plan:

In response to this audit, in order to address the need to have all items purchased by the district documented, the district has requested, and is now receiving, itemized receipts from all vendors identified by this report. In addition, the treasurer will not process payment for any claim made against the district without adequate supporting documentation, including itemized receipts for goods or services rendered to the district.

Implementation Date:

June 20, 2016

Person Responsible for Implementation:

Department Treasurer/Secretary

Audit Recommendation:

2. Ensure that the audit and approval of claims for payment is adequately documented.

Board Response:

It is common practice of this board that every member in attendance at our monthly meetings reviews each bill for payment by the district. All members then sign an official abstract acknowledging review of the bills and a motion is made by the board to pay all bills notated on the abstract. Our abstracts have a heading that includes the dates of all bills being presented at a month's meeting. In the past, dates were used as the tracking tool for documenting payment. Checks are signed only after they are reviewed and approved for payment by all board members at the meeting¹. This recommendation encourages our Board to devise a stronger numbering system to track approved abstracts and to strengthen the motion made to approve bills for payment. It should be noted that the statement in the audit that, "the Board could not provide us with supporting documentation to show that it audited and approved the claims for 66 additional disbursements totaling \$331,442 prior to payment," was not revealing any form of fund mismanagement, but instead identifying a weakness in how our abstracts are numbered and how the signed abstracts are cross-referenced in meeting minutes.

¹ Town Law allows fire districts to adopt a resolution authorizing the payment of certain public utility services in advance of an audit of the claims. The Board of Fire Commissioners passed a resolution on May 6, 2013 authorizing payment for bills from Champlain Telephone and NYSE&G utility bills before auditing the claims.

Implementation of Action Plan:

To more closely tie the monthly abstract to our meeting minutes, the board has adopted the practice of numbering each month's abstract. Now, not only do our abstracts have the date of the abstract, but they also have a unique abstract referencing number. This abstract number will be included in the minutes of the meeting. In addition to this, the board will state, within the meeting minutes, the total amount of district funds being paid during the month. Therefore, the past resolution to simply pay the bills will be replaced with a resolution that will take the following general form:

“ (insert board member's name) made a motion to pay the bills notated on abstract number (insert unique abstract number here) in the total amount of (insert total from abstract here) .”

This resolution will be seconded and voted upon at every monthly meeting. By making these small changes, the board will be strengthening its documentation practices, which will more clearly reflect our review process for each bill.

Implementation Date:

June 20, 2016

Person Responsible for Implementation:

Department Treasurer/Secretary

Audit Recommendation:

3. Ensure that no claim against the District, other than those allowed under Town Law, is paid prior to the Board's audit and approval.

Board Response:

The length through which this Board goes to ensure review of all claims against the district has been made above. This audit brought to light a January 2015 abstract that was not signed prior to checks being issued. The unsigned abstract was of great concern to the board and resulted in a district investigation of all abstracts that followed. A review of this meeting showed that it was the last meeting of the district's previous treasurer/secretary and the first meeting of our current treasurer/secretary. Our investigation also showed that all abstracts from February 2015 to the present have been signed. We concluded that this unsigned abstract was a one-time oversight by the Board and treasurer/secretary as duties were being transferred. The unsigned abstract from early 2015 does not prove a complete procedural inadequacy, but instead points to a one-time shortcoming of the board to sign the abstract presented.

Implementation of Action Plan:

The Board has reviewed and ensured that, with exception to the instance referenced in this audit, bills are deliberately examined and only paid after being approved by all board members. Our current practice of reviewing each bill and signing a monthly abstract will continue.

Implementation Date:

N/A

Person Responsible for Implementation:

Department Treasurer/Secretary

In conclusion, the Altona Board of Fire Commissioners appreciates the recommendations made by the OSC. We value the suggestions made as we continually work to strengthen our documentation practices and ultimately promote the responsible, well-managed use of taxpayer funds while providing resources for a safer community.

Sincerely,

Ryan Blondo
Chairman of the Board
Altona Fire District
Altona, NY