



Uniondale Fire District

Firehouse Hall Rentals and Questionable Board Practices

Report of Examination

Period Covered:

January 1, 2011 — September 30, 2012

2013M-244



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

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Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Fire Commissioners governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Uniondale Fire District, entitled Firehouse Hall Rentals and Questionable Board Practices. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Uniondale Fire District (District) is a district corporation of the State, distinct and separate from the Town of Hempstead and the County of Nassau in which it is located. The District covers nearly three square miles and services approximately 24,800 residents. An elected five-member Board of Fire Commissioners (Board) governs the District. The Board is responsible for the overall financial management of the District, including establishing policies and internal controls to ensure that assets are properly safeguarded. The District's 2012 adopted general fund budget was \$4.1 million, which was funded primarily with real property taxes.

Scope and Objective

The objective of our audit was to determine if the Board developed an adequate control environment to protect taxpayer assets during the period of January 1, 2011 through September 30, 2012. Our audit addressed the following related questions:

- Has the Board adopted appropriate policies and procedures over the use of the firehouse hall?
- Did the Board provide effective financial oversight and monitoring to protect District assets?

Audit Results

The Board needs to improve its oversight of the District's financial operations. The Board's current firehouse hall rental policy and procedures are inadequate, and the Board did not comply with the provisions in the existing policy. In addition, the Board did not review, approve, monitor or control the firehouse hall rental process. As a result, one Commissioner (Commissioner A) controlled all aspects of hall rentals, including taking and recording reservations for hall rentals, collecting rental fees and depositing moneys in the District's bank account. Because the Board did not properly oversee transactions related to the firehouse hall rental process, Commissioner A was able to rent the hall to various individuals and organizations and collect but not deposit any of the rental moneys generated by these events. We calculated that approximately \$43,800 in firehouse hall rental income is missing.

The Board did not exercise appropriate oversight or establish sound policies and procedures related to credit cards, cell phones, meal expenditures, vehicles and equipment. The District's policies for credit card use, meals and refreshments and cell phone usage were weak. Regardless, District personnel did not comply with the existing policies, and the Board did not provide oversight to ensure that taxpayer moneys were used only for legitimate District business purposes. Not only did the Board fail to provide oversight in these areas, individual Board members themselves abused these District resources. Of

the \$44,245 of credit card purchases that we identified as being questionable, \$33,063 were made by Commissioner A. We also identified \$5,923 in cell phone charges for services and equipment that did not appear to be valid District expenditures. Another Commissioner was responsible for \$1,360 of these charges. Additionally, the District spent \$20,322 for meals that were not pre-approved by the Board and that District officials could not provide documentation to indicate who participated in the meals or why they were necessary District expenditures.

Finally, the District's capital asset policy does not provide adequate guidance regarding appropriate inventory recordkeeping or vehicle and equipment usage and disposal. The District has more sport utility vehicles than appear to be necessary for appropriate District operations, seven of which were either not being used or were assigned to employees who did not need District-owned vehicles to fulfill their job responsibilities. Also, the Board did not provide any oversight over vehicle usage and did not require District staff to track how and for what reasons they used these vehicles.

Comments of District Officials

The results of our audit and recommendations have been discussed 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 take corrective action.

Introduction

Background

The Uniondale Fire District (District) is a district corporation of the State, distinct and separate from the Town of Hempstead and Nassau County in which it is located. The District covers nearly three square miles and services approximately 24,800 residents with four fire companies and one emergency services squad. All of the approximately 126 members are volunteers. The District also has 12 full-time employees (the District Supervisor, District Secretary, two mechanics, maintenance workers and a Fire Prevention Officer) and four part-time employees.

An elected five-member Board of Fire Commissioners (Board) governs the District and is responsible for the District's overall financial management. The Board's powers include approving the annual operating budget, adopting District policies, auditing District claims and ordering the Treasurer to pay claims. The District's 2012 adopted general fund budget was \$4.1 million, which was funded primarily with real property taxes.

The District Treasurer (Treasurer) is the District's chief fiscal officer, appointed by the Board, and is responsible for the receipt, custody and disbursement of District funds. The District Secretary (Secretary) is responsible for recording the proceedings of Board meetings and retaining the District's key administrative records. The District Supervisor oversees the District's maintenance staff and day-to-day firehouse operations.

Objective

The objective of our audit was to determine if the Board developed an adequate control environment to protect taxpayer assets during the period of January 1, 2011 through September 30, 2012. Our audit addressed the following related questions:

- Has the Board adopted appropriate policies and procedures over the use of the firehouse hall?
- Did the Board provide effective financial oversight and monitoring to protect District assets?

Scope and Methodology

We examined the internal controls over the District's financial operations for the period January 1, 2011 through September 30, 2012. We expanded our scope period to December 31, 2012 for the analysis of firehouse hall rental revenue.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of
District Officials and
Corrective Action**

The results of our audit and recommendations have been discussed 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 take corrective action.

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.

Firehouse Hall

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 to ensure that the use of taxpayer property is properly authorized and that District moneys are protected and properly accounted for. Proper internal controls ensure that financial duties be adequately segregated, so that one individual does not control all phases of a transaction. When one person performs all duties related to collecting cash, recording the collections in the accounting system and depositing the receipts into the bank, there is an increased risk that cash could be misappropriated without detection. If limited resources make it difficult to segregate incompatible duties, District officials should provide adequate oversight of the work performed by the individual who has incompatible financial duties.

According to Town Law, the District may use its firehouse to preserve, protect and store fire equipment and for the social and recreational use of the District's members and residents. The District generally cannot rent its firehouse hall for private social functions that are not open to the general public.¹ The Board must develop written policies and procedures to monitor rental activity and protect District property. When renting its firehouse hall for events, the District may charge a fee for the use of the premises to cover the expenses of cleaning and maintenance.

The District should ensure that all individuals and organizations who rent the firehouse hall for an event sign a rental agreement that includes the renter's name and address, and the purpose of the event. Also, it is important that the District ensure that renters obtain adequate liability insurance to protect taxpayer assets from potential liabilities. The Board as a whole must approve these contracts and ensure that its approval is recorded in the minutes of its proceedings. The Board should ensure that District staff issue cash receipts when receiving cash from hall renters and properly record and promptly deposit all cash receipts. The Board also should review and approve all disbursements related to these events prior to payment by the Treasurer.

The District firehouse includes a second floor hall with a kitchen. The District adopted a policy in January 2010 that allows the general public

¹ The terms "rent" and "rentals" are used in this report for convenience to refer to the arrangements for use of the firehouse hall, but not to describe the legal nature of those arrangements.

to rent the hall for \$150 for events with less than 100 guests and \$300 for events with more than 100 guests, in the form of “cash only.” The policy restricts the rental of the hall to once per year for Uniondale Fire Department members and Uniondale-based organizations (such as not-for-profit, political and religious-based organizations) and three times per year for Chiefs and Commissioners.

The Board did not comply with its own policy for firehouse hall rentals, and it did not review, approve, monitor or control the firehouse hall rental process. As a result, one Commissioner (Commissioner A) controlled all aspects of hall rentals, including taking and recording reservations for hall rentals, collecting rental fees and depositing moneys in the District’s bank account. Because the Board did not properly oversee transactions related to the firehouse hall rental process, Commissioner A was able to rent the hall to various individuals and organizations and collect but not deposit any of the rental moneys generated by these events. We calculate that approximately \$43,800² in firehouse hall rental income is missing.

Because only one Commissioner controlled the hall rental process, the Board as a whole did not approve the rental agreements, and District officials did not record any hall rental revenue in the District’s accounting records. District officials were unable to provide us with complete calendars used to record rental events. They provided us with information for recorded events for seven months in 2011 but were able to provide all 12 months in 2012. Although District officials told us that the firehouse hall was used nearly every weekend, the calendars did not reflect this level of activity. The calendars contained numerous erasures; 13 events in 2011 and 24 events in 2012 were erased or crossed out on the calendars. District officials have no way of knowing if the erasures were due to individuals and/or organizations reserving and then canceling events, or if Commissioner A, who was controlling the hall rental process, had erased past events from the calendars.

The available hall rental records for our audit period included 22 cash receipts³ totaling \$4,875 and 30 rental application forms. Commissioner A had approved 28 of the 30 rental applications without any Board approval or review and had collected all hall rental moneys from renters. Although Commissioner A did not have authority to receive or disburse District moneys, he told us that he had used the money collected to pay those who worked at the events, which included cleaning up after events and directing traffic in the firehouse parking lot. Commissioner A did not maintain an adequate

² \$28,950 for recorded events and \$14,850 estimated for unrecorded events

³ District officials provided us with receipt books for a five-month period in 2011 and could not provide us with any receipt books for 2012 for our review.

record of the money collected and did not record how he used the money. Therefore, all moneys collected from the hall rentals remain unaccounted for.

The District and taxpayers have no assurance that Commissioner A did not misappropriate the moneys or inappropriately retain a portion for working at the events. In addition, the District did not issue any Federal 1099 forms or W-2 forms to report the earnings of those who worked at these events to the Internal Revenue Service.

Recorded Events – During our review of the available hall rental records for 2011 and 2012, we identified 166 events written on the calendars that were not erased. According to District personnel, the District should have collected a fee for 126 of the 166 events. For 30 of the 126 events, the District had application forms to indicate who rented the hall, who approved the rental and the amount paid. Also, District officials had seven cash receipts⁴ that indicated the amount paid for seven additional events for which the District did not have a contract. The rental fees recorded on the receipts and applications totaled \$5,475 for 2011 and \$3,450 for 2012. For the remaining 89 events, we estimated that the District could have collected about \$20,025 (Table 1), for a total of \$28,950.⁵

Table 1: Hall Rental Revenue						
Year	Recorded Events	Documented Fees Collected ^b	Estimated Missing Fees ^{bd}	Estimated Unrecorded Events ^e	Estimated Missing Fees ^{cd}	Potential Missing Fees
2011	40 ^a	\$5,475	\$3,600	42	\$9,450	\$18,525
2012	86	\$3,450	\$16,425	24	\$5,400	\$25,275
Totals	126	\$8,925	\$20,025	66	\$14,850	\$43,800
^a Includes only seven months in 2011 ^b Recorded events ^c Unrecorded events ^d We used an estimate of \$225 per event (an average of \$150 and \$300) for those events for which District officials did not have a rental agreement or receipt. ^e Includes five months that were missing from the events calendar in 2011 and events erased from the 2011 and 2012 calendars						

Unrecorded Events – To determine the income missing from undocumented rental events during 2011 and 2012, we estimated the number of events that occurred during the five calendar months in 2011 for which District officials could not locate records and included the events that were erased from both calendars for a total of 66 events.

⁴ These seven receipts were included in the 22 cash receipts totaling \$4,875 that were mentioned previously.

⁵ We calculated this amount using an average of \$225 per event for those events for which District officials did not have a receipt or application. This estimate could range between \$22,275 (at \$150 per event) and \$35,625 (at \$300 per event).

We estimate there was approximately \$14,850 of missing rental fees from these unrecorded events (Table 1).⁶ Using a rate based on the seven months of available records in 2011 and multiplying throughout the year, we estimated Commissioner A may have collected about \$43,800 in 2011 and 2012 for recorded and unrecorded events.

In addition, we found that District officials did not follow the Board-adopted policy regarding the use of the firehouse hall. Of the 30 applications that were available, nine applicants did not have a Uniondale address, which suggests that the District rented the hall to nonresidents. We also found that 41 of the 126 hall rental events listed on the calendars were for private parties, such as weddings and birthdays.

Although the District has liability insurance, the District's insurance provider recommended that the District require renters to provide a certificate of insurance to protect the District. The District's hall rental application requires caterers who are working rental events to provide insurance. However, District officials could not provide us with any evidence that the District ever requested that renters or their caterers obtain liability insurance or that renters or caterers sign a written agreement indicating that they would hold the District harmless in the event of an injury.

Without written agreements and proper documentation, District officials cannot be certain that the firehouse hall will be used in accordance with District policy and Town Law, or that the District will be properly covered in the event of an injury. Because the Board did not properly oversee the hall rental process, the District may have lost as much as \$43,800 in firehouse hall rental income. These moneys could have helped finance District operations or reduced the District's tax levy.

Recommendations

1. The Board as a whole should approve contracts and monitor firehouse hall rentals and usage.
2. The Board should evaluate the District's current hall rental policy to ensure that it contains specific rules for rental approval, recordkeeping and custody of moneys.
3. The Treasurer must ensure that all District revenue is properly recorded and that cash is promptly deposited in the District's bank accounts.

⁶ There is no assurance that the hall was not rented during the five months of missing calendars in 2011 or that the erased events were in fact canceled.

4. The Board should ensure that the Treasurer is the only individual who disburses District moneys under the Board's direction, review and approval. The Treasurer also should ensure that all applicable laws regarding disbursements, including income tax laws, are followed. In addition, the Treasurer should disburse District moneys only by check.
5. The Board should require caterers to provide liability insurance coverage. Also, the Board should consult legal counsel regarding its requirement to have all renters provide a certificate of insurance designed to protect the District from liability.

Questionable Board Practices

The control environment, or “tone at the top,” is the foundation of an entity’s internal control structure. It includes the integrity, ethical values, competence of the entity’s personnel and management’s philosophy and operating style. When this foundation is strong, there is an expectation that everyone, including top management, will conform to established controls and avoid violating the public trust. The Board’s responsibility for establishing policies and procedures, monitoring fiscal operations, auditing claims, and ensuring that assets are safeguarded and used appropriately are imperative in financial oversight.

The Board did not exercise appropriate oversight or establish sound policies and procedures related to credit cards, cell phones, meal expenditures or vehicles and equipment. The District’s policies for credit card use, meals and refreshments, and cell phone usage were weak. Regardless, District personnel did not comply with the existing policies, and the Board did not provide oversight to ensure that taxpayer moneys were used for legitimate District business purposes. Not only did the Board fail to provide oversight in these areas, individual Board members themselves abused these District resources. For example, of the \$44,245 of credit card purchases that we identified as being questionable, \$33,063 were made by one Board Commissioner (Commissioner A). We also identified \$5,923 in cell phone charges for services and equipment that did not appear to be valid District expenditures. Another Commissioner (Commissioner B) was responsible for \$1,360 of these charges. The District spent \$20,322 for meals that were not pre-approved by the Board and for which District officials could not provide documentation to indicate who participated in the meals or why they were necessary District expenditures.

Finally, the District’s capital asset policy does not provide adequate guidance regarding appropriate inventory recordkeeping and vehicle and equipment usage and disposal. The District has more sport utility vehicles (SUVs) than appear to be necessary for appropriate District operations, seven of which were either not being used or were assigned to employees who did not need District-owned vehicles to fulfill their job responsibilities. Also, the Board did not provide oversight over vehicle usage and did not require District staff to track how and for what reasons they used these vehicles.

Credit Cards

The Board may authorize District officials to use credit cards for approved, actual and necessary District expenditures. An effective

system of internal controls requires the Board to adopt a credit card policy that identifies authorized users, defines credit limits for each user, defines purchase dollar limits, describes the types and circumstances of purchases allowed and specifies the prior approval and documentation needed to support each purchase. The policy also should include procedures for Board monitoring of credit card use to ensure accountability and responsibility. Credit limits for card holders should be increased or decreased only by Board approval. In addition, it is important that the Board audit and approve claims as a whole, so that no one individual is able to purchase goods and/or services using District moneys, take possession of the goods and/or receive the services and then approve the related claims as evidence that they were proper District expenditures. Also, the Board should ensure that District personnel maintain signed purchase orders or requisitions for all purchases, which should be approved by the Board before purchases are made.

The Board-adopted credit card policy specifically authorizes the Secretary and Treasurer to purchase items and make travel-related reservations that have been approved by the Board. In addition, the policy indicates that authorized local business (store/vendor) credit cards are to be held in the Secretary's office and signed out only for purchasing business items. The policy does not provide guidance regarding the types of specific documentation required to support the reasons or purposes of the purchases, acceptable credit limits, monitoring controls to ensure compliance with the policy or penalties for violating the policy. During our audit period, the District made payments totaling \$151,235 for purchases made using five general-purpose credit cards and three store/vendor credit cards.

General-Purpose Credit Cards – Each Commissioner and the Secretary had a general-purpose District credit card. However, the District's policy does not identify or authorize Commissioners to be assigned District credit cards. These credit cards were used for travel-related purposes (i.e., hotel, airfare, rental cars and tolls) and for purchasing items such as food, electronic/media devices, office equipment and supplies. For purchases made by the Commissioners, District officials could not provide us with purchase requisitions or any indication that the Board had approved the charges prior to the purchases being made.

After these purchases were made, the Commissioners gave receipts to the Treasurer who then prepared purchase orders/claim vouchers, with vague descriptions of the purchases and included the receipts and purchase orders/claim vouchers with the monthly bills provided to the Board. The Commissioners who made the purchases were the only Board members who signed the claim vouchers to authorize their

own claims. Also, the Commissioners did not sign the appropriate section on the claim vouchers that indicated that the goods or services were actually provided to the District and that the purchases were appropriate District expenditures. Because only those Commissioners who made the purchases signed their claims vouchers to indicate approval, the Board as a whole did not have the opportunity to review and approve or deny the purchases, or ensure that the District actually received the goods and/or services.

During our audit period, the District made 22 payments totaling \$66,411 to the general-purpose credit card company for charges made by the five District officials who were assigned the general-purpose credit cards. Each card had a credit limit of \$5,000. However, Commissioner A increased his card's credit limit without Board approval to \$7,000 in September 2011 and then six months later increased it again to \$20,000. Of the \$66,411 that the District paid to the general-purpose credit card company during our audit period, Commissioner A charged \$45,850 of that total.

We reviewed nine⁷ of the 22 payments that comprised \$48,097 in credit card charges to determine whether the payments were adequately supported, for appropriate business-related purposes and in compliance with District policy and applicable laws. We found 153 purchases totaling \$44,245 that appeared to be questionable or for which District officials could not furnish us with any documentation to provide proof that the purchases were appropriate District expenditures, as follows:

- Fifty-eight charges totaling \$27,239 related to expenditures made at six conferences located outside of Nassau County did not have supporting documentation to provide evidence that they were appropriate District expenditures. The charges included airfare, tolls, gasoline, lodging and conference fees. The credit card statements that contained these charges did not have Board minutes attached to them to show pre-approval of conference attendance, or certifications of attendance to verify that the District personnel actually attended the conference and training sessions. District officials later provided us with minutes from three Board meetings that indicated the Board's approval for District members to attend three of the six conferences (Baltimore, Atlanta and Orlando). Of the three Board minutes provided, only one listed the names of the District members who were authorized to attend. District officials were unable to provide us with evidence that

⁷ We selected the highest payments made during 2011 and 2012, payments made to officials for per diems and payments made in 2012 after Commissioner A increased his own credit limit.

District members had actually attended the six conferences. Of the 58 charges, 23 charges totaling \$5,100 did not have original receipts attached to the claim vouchers. One of the 23 charges was in the amount of \$274 for an airline ticket for a Commissioner's child. While the Commissioner reimbursed the District for this amount, the District's credit card should not have been used for personal reasons. Two charges were for room service totaling \$90, charged on two hotel bills for five days during which Commissioner B attended the 2011 and 2012 Baltimore conferences. However, Commissioner B should not have charged any meals on his hotel bill because, before he left for the conferences, he received \$602 to cover meals for those five days.⁸ When the Board approves claims for payment without requiring supporting documentation such as original receipts, travel vouchers and certification of attendance at conferences, District officials and taxpayers have no assurance that the travel was only for official District purposes and that all claims were actual and necessary District expenditures.

- Twenty-eight credit card charges totaling \$4,443, primarily made at grocery stores, gas stations and warehouse stores, did not have original receipts or supporting documentation attached to the claims to provide evidence that they were appropriate District expenditures. Of these charges, \$3,436 of the purchases did not contain an adequate explanation to identify the purpose of the charges. For example, Commissioners charged \$544 at local grocery stores but did not submit receipts for these purchases to indicate what was purchased. Without receipts to indicate itemization of purchases, District officials cannot determine whether these purchases were District or personal expenditures. Also, a Commissioner made a purchase totaling \$282 with a commercial furniture vendor but did not submit a receipt for or provide an explanation of what was purchased. In addition, another charge for \$39 was for massaging insoles that a Commissioner had purchased while attending a conference. The Commissioner did not submit a receipt for the purchase or provide explanation as to why this was a legitimate District expenditure.

⁸ In addition, the \$172 for meal allowances at a 2011 Baltimore conference and \$430 for meal allowances at a 2012 Baltimore conference, totaling \$602, that Commissioner B received were excessive. According to the U.S. General Services Administration's per diem rates, Commissioner B should have been reimbursed \$142 for meals at the 2011 conference (two-day stay) and \$213 for meals at the 2012 conference (three-day stay), totaling \$355.

- Sixty-two charges totaling \$8,011 had original receipts attached to the claims, but the individuals who made the purchases did not provide adequate supporting documentation or explanations with the receipts that would allow District officials to determine whether the charges were necessary District expenditures. For example, Commissioners purchased \$5,193 worth of food and supplies at local supermarkets. On some of the receipts submitted, the Commissioners wrote “meeting,” “B&G,”⁹ or “supplies” as an explanation for the purchases. However, they did not provide adequate supporting documentation with the receipts that would allow District officials to determine whether the purchases were truly District-related. Also, these limited notations were insufficient proof of the nature of the purchases. Other charges totaling \$900 were for electronic devices, such as Bluetooth headsets, cell phone car and USB chargers, GPS car navigation mounts, cell phone cases and a fitness DVD. The claim vouchers for these purchases did not contain any description to indicate who requested the items, whom the equipment was being assigned to or the reasons that the purchases were made.
- Five charges totaling \$4,552 for a vending machine, gifts and a car rental do not appear to be for legitimate District business purposes and, therefore, we consider the charges to be inappropriate. One charge for \$2,776 was to purchase a vending machine which was placed in the District’s firehouse hall. District officials told us that the fire company fills the machine with products and retains the money for fundraising. However, District officials cannot use District moneys for fire company fundraising activities. Three charges totaling \$1,169 were for gifts; however, District officials cannot use taxpayer moneys for gifts. For example, a Commissioner purchased a flat screen television for \$980 as a retirement gift for a fire department member who had been a 50-year District member. One charge totaling \$607 was for a two-week car rental for another fire department member. District officials told us that the department member had crashed a car that she was driving into one of the District fire trucks while on route to a call. District officials did not submit a claim to the District’s insurance company related to this accident. Instead, the District paid for a car rental and \$2,500 to have the member’s personal car repaired at a local body shop. However, the police accident report does not list the fire department member’s name as the driver, or even as a passenger, of the vehicle involved in the accident.

⁹ Indicating that the purchases were related to “buildings and grounds”

Credit card use has a high level of inherent risk because purchases can be made without Board pre-approval. When individual Commissioners use credit cards to make purchases, or instruct others to make expenditures, without Board approval, they circumvent the District's purchasing process. As a result, District officials were able to make credit card purchases of \$44,245 that appeared to be questionable, or for which District officials could not produce documentation that established the legitimacy of the expenditures.

Gas Card – The District had a credit card account with a gasoline company to which it paid \$60,348 during our audit period for charges related to gasoline, towing and vehicle maintenance. Although the District's policy indicates that local business (store/vendor) credit cards must be held in the Secretary's office and signed out only for purchasing business items, the gasoline card was held at the local service station. After each time that goods and/or services were provided, District personnel were required to sign the credit card receipt and write on the receipt the vehicle number that was provided with the goods and/or services. The gas station was responsible for mailing the signed receipts to the District each month. However, District officials did not review the receipts to ensure that the gallons of gasoline pumped or purchase amounts were acceptable, or that the receipts contained signatures and vehicle numbers. Also, District officials did not compare the charges on the gasoline credit card statements to the receipts sent by the gasoline station. In addition, the District does not have any procedures related to accountability of gasoline usage, such as requiring District personnel to maintain vehicle use logs or submit travel vouchers to ensure that fuel is only used for District purposes.

We examined two gas card payments¹⁰ totaling \$8,693 consisting of 112 charges. Of these 112 charges, 30 charges totaling \$2,261 did not have matching receipts. Another 21 charges for gasoline totaling \$1,632 had receipts, but the receipts either were not signed or did not have the vehicle number written on them to identify the vehicle that was being filled with gasoline.

Because the District does not have any controls over its gasoline credit card, it has no assurance that the amounts charged for gasoline were for District purposes.

Home Improvement Store Card – The District had a credit card account, with a total credit limit of \$7,000, from a home improvement

¹⁰ Of the 20 monthly payments made during our audit period, we selected the two largest payments to review, one each from 2011 and 2012.

chain store. The cards were issued to a Commissioner, the Fire Prevention Officer and two maintenance personnel.

During our audit period, the District paid \$12,275 for charges made with these credit cards. Of this amount, we reviewed two payments totaling \$1,290 consisting of 31 charges. Two of the 31 charges reviewed totaling \$90 did not have matching receipts. The two vouchers that were attached to the claims were not signed by a District official to indicate that the goods or services were actually provided to the District and that the purchases were appropriate District expenditures.

Office Supply Store – The District had a credit card account with three credit cards from an office supply store. District officials told us that the Board Chairman, Fire Prevention Officer and Secretary used this store card. However, the Secretary told us that she generally ordered office supplies from another vendor and used the store card only in an emergency.

During our audit period, the District paid \$12,201 for charges made with this card. Of these charges, we reviewed two payments totaling \$2,165. Receipts were attached to the claim vouchers for all charges for both payments, but none of the receipts were signed. District officials could not provide us with purchase requisitions or signed claim vouchers for any of the charges for the two payments. As a result, District officials had no documentation indicating who made the purchases, who requested the supplies or where the supplies were located.

Because Commissioners used District credit cards to make purchases, rather than allowing District personnel to make the purchases and providing oversight by approving, reviewing and monitoring purchases, the District has no effective internal controls over its credit card usage. As a result, the District paid for nearly \$48,800 in questionable, unsupported and inappropriate expenditures. Without written policies and procedures that specify credit card use requirements and effective monitoring by Commissioners who are independent of the purchasing process, the District will continue to be at risk of paying for inappropriate purchases.

Meals and Refreshments

Town Law generally allows fire districts to include appropriations in their budgets for meals at an annual dinner¹¹ of unsalaried volunteers (District members), for officers or employees who are located outside of their work area on official business for extended periods of time or when events prevent fire district volunteers and/or personnel from

¹¹ Also known as the annual fire installation and inspection dinner

taking time off to eat during mealtime because of a pressing need to complete business. Accordingly, when the Board determines it is appropriate to provide meals or refreshments, District officials must maintain sufficient supporting documentation to justify the direct business purpose for the meals or refreshments. The Board should adopt written policies and procedures which require that meals and dinner costs are reasonable and sufficiently documented. The District's purchasing policy states that District personnel must obtain more than three written quotes for purchases of \$5,000-\$9,999, three written quotes for purchases of \$1,000-\$4,999 and three verbal quotes for purchases of \$100-\$999.

The District did not have a formal policy that outlined when it is appropriate to provide meals and refreshments or that described the documentation District officials must maintain to justify the direct business purpose for the meals and refreshments. During our audit period, the District paid \$50,468¹² to vendors for food, meals and refreshments. We reviewed 10 claims totaling \$20,322¹³ to determine if the meals were reasonable and necessary. District officials could not provide us with adequate supporting documentation that showed that the meals were actually provided, that the District had a business purpose for providing these meals or that the District obtained the lowest possible price for the meals. Also, District officials did not have supporting documentation to show which District members or employees actually benefited from the meals, who requested the meals and who approved the purchases, as follows:

- Commissioner's Funeral – Five payments totaling \$8,422 were made for meals related to a deceased Commissioner's wake and funeral service that occurred over a three-day period. Two of the five payments totaling \$4,600 were for meals for 170 and 175 people. Because the District only has about 120 active volunteers, this indicates that the District also provided meals and refreshments to non-District members or personnel. One payment for \$2,261 had only a cash register tape attached to the claim voucher as supporting documentation. Another payment for \$900 had only a menu attached to the claim as supporting documentation. This meal was for a catered event held after the wake which served 70 people in a firehouse that was located outside the District's boundaries. The remaining payment for \$661 did not have an invoice attached to the claim voucher. District officials were unable to provide us with any documentation to determine

¹² This amount excludes amounts charged to the District's credit card which are discussed in the Credit Cards section.

¹³ We judgmentally selected the 10 claims with the largest dollar amounts.

who attended these meals or to justify that there was a direct business purpose for any of these meals.

- Presidential Debate – One payment for \$7,800 for meals and refreshments provided during a U.S. Presidential debate did not have an actual invoice. The only supporting documentation available for this meal and refreshments expenditure was a proposed menu. The menu indicated that breakfast, lunch and dinner would be served from 9 a.m. to midnight for 200 guests. District officials were unable to provide us with any documentation to indicate that the Board had pre-approved the expenditure or if District personnel had obtained quotes from alternate vendors, as required by the District’s purchasing policy. The voucher for this claim was not signed by the vendor to indicate that it had provided goods and/or services or by a District official to certify that services were rendered. The Treasurer and one Commissioner, not the entire Board, signed the claim to indicate that it had been audited and approved for payment. In addition, District officials were unable to provide us with any documentation of how many people were actually served meals and refreshments. Although District officials told us that District members were on stand-by¹⁴ that day, the claim voucher and the District’s service award records¹⁵ did not indicate which members were on stand-by. When we asked District officials why 200 people were served at this event when the District has only about 120 active members, two Commissioners told us that the District served other fire departments’ members, County emergency workers and other event representatives who were not District volunteers. District officials could not provide any documentation to indicate how they had estimated that 200 people were served at the event or to indicate who actually participated in the event.
- Four claims totaling \$4,110 had invoices attached to the claim vouchers with descriptions for events that included “fire prevention day refreshments,” “fire safety day,” “firehouse breakfast” and “holiday party.” Only one of the four dates had attendance for members recorded in the service award point system; seven members reported for a drill during the fire safety day. Although only seven members attended this

¹⁴ A stand-by requires District members to be on call for an extended period of time during which members are physically present at the firehouse.

¹⁵ Volunteers receive service award credit for participating in various department activities such as answering emergency calls, attending drills and meetings, serving in an elected or appointed position and being at the station on stand-by. The District uses software to maintain these records.

event, the claim for the event included a menu on which the vendor indicated that they provided food for 60 people totaling \$600. District officials were unable to provide us with documentation to justify that there was a direct business purpose for any of these expenditures.

Because the District did not have a formal policy that provided guidelines for when it would be appropriate to furnish meals and refreshments and what type of documentation would be necessary to maintain to justify the direct business purpose of meals, District officials were unable to provide this documentation to justify the official business purposes of more than \$20,000 in meals and refreshments.

Cell Phones

Cell phones should be provided to District employees and/or members based on the need or requirements of their job. When assigning cell phones to employees and members, the District should have a written policy that identifies authorized cell phone users by name, describes why and how their job requirements include the need for a cell phone and describes required monitoring procedures over cell phone usage to help detect and prevent misuse and/or abuse. If authorized cell phone users incur charges not outlined as acceptable usage in the policy, the Board should investigate the charges to determine if the District should seek reimbursement.

During our audit period, the District paid its cell phone provider \$45,291. The District has a cell phone policy that authorizes 13 different employees by title to be assigned cell phones, along with minute allotments included for each title. The policy also states that any other District employee designated by the Board will be granted 200 minutes. A section at the bottom of the policy requires cell phone users to write their name and title, sign the policy and write the date that they signed the policy to acknowledge that they received the policy.

The District assigned 29 cell phones to individual District members and employees. We reviewed the six largest cell phone payments totaling \$13,852 made during the audit period to determine if the cell phones were provided only to authorized users, if users had acknowledged receipt of the policy and if users complied with or exceeded their minute allotments. Of the 29 cell phones and users, eight users did not comply with the District's policy by failing to sign the cell phone policy. These eight individuals included four Commissioners, the Fire Prevention Officer and three District members.

Four other cell phone users were not employed in titles that were authorized by the District's policy to have cell phones, and District officials could not provide us with any documentation to indicate that the Board had authorized these individuals to have cell phones or to indicate why it was necessary for these four individuals to be assigned cell phones. For example, a data entry clerk and District trainer were provided with cell phones, but District officials could not provide us with any evidence that the Board had authorized cell phone usage for either individual, or an explanation why either of these two individuals would need to use District cell phones. In addition, two cell phones were assigned to ambulances, rather than individuals, which was not authorized by the policy.

The District also obtained six network cards¹⁶ from its cell phone provider that were not addressed or authorized under the cell phone usage policy. None of the users who were assigned these network cards had signed the cell phone usage policy to acknowledge receipt of the policy. District officials told us that they could not locate one of the network cards.

Of the \$13,852 in cell phone payments that we reviewed, we identified \$5,923 in cell phone charges for services (\$3,239) and equipment (\$2,684) that were not authorized by the Board or the cell phone policy. The \$3,239 in services charges included charges for premium services such as media subscriptions, music and ringtone downloads, visual voice mail and GPS navigation applications. The \$2,684 in equipment charges included charges for failing to return equipment to the cell phone company and for new equipment, such as cell phone chargers and cases and Bluetooth headsets. For example, one Commissioner's cell phone bill included a charge of \$450 for failing to return equipment and a \$132 charge for new equipment. Six months later, this same Commissioner's cell phone bill included equipment purchase charges totaling \$467. Cell phone users did not provide any explanations on the related claims vouchers for why these services and equipment charges were necessary District expenditures, and the Board did not question these charges or seek reimbursement from the cell phone users for any of the unauthorized expenditures.

In addition, the District paid for three phones assigned to individuals who were no longer employed by the District. One of the three individuals has not been employed by the District since 2008. Although we did not see any usage for the phone assigned to that former employee, the District was still paying about \$38 per month for that cell phone plan since 2008. Another of the three individuals

¹⁶ A network card is a computer hardware component that connects a computer to a computer network.

had left District employment in February 2012. District officials told us that they did not cancel this former employee's cell phone plan because the District planned to hire a replacement for the position. However, until they do so, the District is needlessly paying about \$38 per month for that cell phone plan. The third individual, the former Treasurer, left District employment in 2009. The current Treasurer is using the former Treasurer's phone, but the cell phone bill is still listed under the name of the former Treasurer.

Because the Board failed to enforce the District's cell phone policy and monitor cell phone usage, District cell phone users were able to charge more than \$5,923 in unauthorized and inappropriate services and equipment charges to the District without detection. Also, the District provided unauthorized individuals with cell phones and paid for cell phone plans that were not being used, resulting in higher than necessary cost to taxpayers.

Vehicles and Equipment

Vehicles and equipment are assets that represent a significant investment in District resources. As such, it is essential that District officials ensure that these assets are used for their intended purposes and are protected from loss. When these assets are no longer needed for public purposes, Town Law authorizes the Board to sell or dispose of property that is deemed as surplus or obsolete. To determine the current value for District assets, District officials should maintain accurate asset records that include the original purchase dates for each asset, original cost of the items, cost depreciation from original value and current condition of each asset. It is the Board's responsibility to ensure that the District obtains the best price or maximum financial benefit for District assets at the time of their disposal. Surplus property that has no market value or remains unsold may be discarded, destroyed or donated to a not-for-profit organization. The Board as a whole should declare property as obsolete and/or surplus.

The Board should adopt a capital asset policy describing the duties of employees involved in asset management, the records that these individuals should maintain and control procedures that they must follow to adequately safeguard District assets. The policy also should provide guidance on procedures to follow for disposal of property. In addition, the Board should adopt a vehicle usage policy that provides guidance to staff and officials on the proper usage of vehicles and documentation necessary to maintain, such as vehicle usage and mileage logs, to ensure that the vehicles are used appropriately.

Capital Asset Records – District officials should maintain capital asset records that include a description of each item with its make, model and serial number; the District-assigned identification number; the date purchased, amount paid, vendor name and claim number for

the purchase; the department or individual assigned to have custody of the item; and the source of the funds used to purchase the item.

The District did not have a written capital asset policy to instruct staff on procedures for recording the purchase, use and disposal of capital assets. As a result, District staff did not maintain records to track all capital assets. Although the Secretary set up an internal database to inventory the District's capital assets, District staff did not adequately maintain this system. Asset inventory records did not have the most current information for each item and much of the current information available for other items was inaccurate. Also, the information available for the disposal of assets was inadequate.

Each year, the District contracts with a third-party vendor to prepare an annual capital asset appraisal report. The vendor reviews District invoices and records but does not conduct a physical inventory to create the appraisal report. This report includes a list of all new assets purchased and those sold or disposed of¹⁷ by the District each year. The 2012 appraisal report indicates that the District sold or disposed of assets totaling \$474,195¹⁸ during 2011. However, District officials were unable to provide us with any Board minutes or other documentation to indicate that the Board had determined these assets to be surplus or obsolete and authorized District personnel to sell or dispose of the property.

Because the Board did not make the determination as to whether these capital assets – which included a 2001 SUV – were surplus or obsolete and indicate how the items should be disposed of, there is a risk that some items could have been misappropriated or that the District may not have received adequate financial benefit from the sale or disposal of the items.

Vehicle Inventory – The District did not maintain adequate vehicle inventory records. While the District had a policy regarding the use of Chiefs' vehicles, the Board did not establish a policy to guide District staff regarding the SUVs used by other District officials. The Board did not document who was authorized to use District vehicles, and it did not require District staff to maintain records to indicate who was using the vehicles and for what purpose.

District officials provided us with a list of 35 District-owned vehicles, including 11 SUVs, that contained the year, make, vehicle identification number and approximate original cost of each vehicle. Although the list did not show who the vehicles were assigned to, it

¹⁷ The report indicates that the District had sold or disposed of assets by including these assets on its "assets deleted list."

¹⁸ Assets are reported at original cost.

did indicate that most of the SUVs were considered Chiefs' vehicles. District officials told us that the SUVs were used as follows: six were Chiefs' vehicles,¹⁹ two were Commissioners vehicles, one was the Secretary's vehicle, one was the District Supervisor's vehicle and one was the Fire Prevention Officer's vehicle.²⁰

The District did not require personnel to maintain records to document how the SUVs were used, who used them or why it was necessary for these individuals to use the SUVs. For example, Commissioners do not generally require a vehicle to perform their duties and responsibilities and are not permitted by Town Law to receive fringe benefits, such as the use of an official District vehicle. Therefore, it is unnecessary and inappropriate for the District to maintain vehicles for use by Commissioners.

Because the District has more vehicles than necessary for District operation, and does not have procedures to assign vehicles to individuals and monitor vehicle usage, the District has an increased risk that it is providing vehicles – and paying for their maintenance and insurance – that are used for personal reasons. Additionally, it is not cost-effective for the District to maintain and insure vehicles that are not used.

Vehicle Disposal – When District officials intend to dispose of District-owned vehicles, the Board must review the information provided by District officials to determine whether the vehicles are truly surplus. The Board must determine whether surplus vehicles have any value. If the Board finds that the vehicles have value, the District must attempt to sell the vehicles to obtain their maximum value. If the District is unable to sell the vehicles or if the Board finds that they do not have any value, it may vote to donate them.

During our audit period, the District donated two SUVs to the local auxiliary police department. The October 2008 Board minutes indicated that it authorized the donation of one of the Chiefs' SUVs.²¹ The February 2012 Board minutes indicated that the Board authorized the donation of one of the Chiefs' SUVs, which had an original value of \$47,000. However, neither of the Board minutes indicated the vehicles' make, model or model years. Also, the Board minutes did not indicate that the Board determined that the vehicles were surplus before voting to donate them. The Board did not document any

¹⁹ District officials considered one of the SUVs used by the Chiefs to be a spare, and two vehicles were considered old.

²⁰ The Secretary and District Supervisor told us that they rarely used the SUVs that were provided for their use.

²¹ The District considered this SUV as one of the "old" Chiefs' vehicles.

attempt to sell the vehicles or determine their value before making the decision to donate them.

In addition, the District did not maintain adequate disposal information for either vehicle, such as the mileage of the vehicles, any defects, historical and current market values, or the name and title of the person who received the vehicle. District officials provided us with a title for the vehicle they told us was the one that the Board donated in February 2012. However, the title did not contain any indication that the vehicle's ownership had been transferred from the District to another party. When we asked about this discrepancy, District officials provided us with two letters from an official from the auxiliary police department stating that the department had taken possession of both donated vehicles. However, the auxiliary police department would have had to transfer the titles for both vehicles before registering and insuring them.

For the vehicle that was donated in October 2008, the District canceled the vehicle's insurance policy in July 2009, nearly a year later. For the vehicle that was donated in February 2012, the District did not cancel the insurance policy until January 2013. The Secretary told us that she gave the District's insurance company an updated list of vehicles to be covered on an annual basis. Because District officials did not notify the District's insurance company of the disposal of the donated vehicles in a timely manner, the District needlessly paid insurance premiums for both vehicles for almost an additional year.

Equipment Disposal – Our review of the 2012 appraisal report showed that the District had sold or disposed of gym equipment and a thermal imaging camera with a total original cost basis of \$51,480. District officials were unable to provide us with any Board minutes indicating that the Board had determined this equipment to be surplus or obsolete. Similar to the vehicles, the District did not maintain adequate disposal information for either the gym equipment or camera.

The District purchased new gym equipment in 2011 for \$25,931 to replace the gym equipment that was included on the assets deleted list in the 2012 appraisal report. The Board Chairman told us that he gave the old gym equipment to a District volunteer firefighter. However, the Board Chairman did not have the authority to dispose of District equipment without the review and approval of the entire Board.

The District purchased seven new thermal imaging cameras in 2011 for \$55,742 to replace the thermal imaging camera²² that was included on the assets deleted list in the 2012 appraisal report. One

²² The District purchased this camera in 1999 for \$23,000.

of the Commissioners told us that the camera purchased in 1999 had been damaged, and the District replaced it in 2011. District officials provided us with a claim voucher that documented the District's purchase of the new thermal imaging cameras. However, they were unable to provide us with any documentation regarding the damage and need for replacement of the camera purchased in 1999.

Because the District had no written capital asset policies and procedures, and because District officials did not maintain adequate documentation of the disposal of District vehicles and equipment, District officials and taxpayers have no assurance that District property is protected from loss and is being used only for appropriate District purposes. Without adequate procedures and documentation, District officials cannot ensure that they are obtaining the maximum financial benefit when disposing of District vehicles and equipment.

Recommendations

6. The Board should update the District's credit card use policy to ensure that it provides guidance regarding the types of specific documentation required to support the reasons or purposes of purchases, acceptable credit limits, monitoring controls to ensure compliance with the policy and penalties for violating the policy.
7. The Board should ensure that all purchases have purchase requisitions. The Board should ensure that it approves all credit card charges before purchases are made.
8. The Board as a whole should review and approve all claims before instructing the Treasurer to pay them.
9. The Board should ensure that all District personnel who make purchases for the District sign the appropriate section on the claim vouchers to indicate that the goods or services were actually provided to the District and that the purchases were appropriate District expenditures.
10. The Board should investigate questionable credit card charges and seek reimbursement for any charges that are personal in nature, unauthorized and/or inappropriate.
11. The Board should ensure that the District's gas card is maintained at a safe location within the District's custody.
12. District officials should develop procedures related to the accountability of gasoline usage, such as requiring District personnel to maintain vehicle use logs or submit travel vouchers to ensure that fuel is only used for District purposes. Also, District officials should review all gasoline receipts to ensure

that the gallons of gasoline pumped and/or cash receipt amounts are acceptable and that the receipts contain signatures and vehicle numbers. In addition, District officials should compare the charges on the gasoline credit card statements to the gasoline receipts to ensure that the dollar amounts match.

13. The Board should develop and adopt written policies outlining when it is appropriate to provide meals and refreshments, the documentation necessary for District staff to maintain to justify the direct business purpose for meals and refreshments and who is authorized to purchase meals.
14. When providing meals and refreshments, District officials should ensure that District personnel maintain adequate supporting documentation to indicate that the meals were actually provided and that the District obtained the lowest possible price for the meals, the names of District members or employees who benefited from the meals, the individual's name who requested the meals and the individual's name who approved the purchases.
15. The Board should approve by resolution all travel of District officers, employees and members before the travel occurs. The Board also should ensure that District officers, employees and members who attend conferences or seminars submit a certification of attendance to verify that the travel expenditures were for actual and necessary District purposes.
16. The Board should ensure that all authorized cell phone users comply with the District's cell phone policy.
17. The Board should consider adjusting its cell phone policy to include specific directives regarding acceptable use of District cell phones and require employee reimbursement for additional charges. If the Board intends to allow cell phones to be assigned to ambulances, rather than individuals, it should adjust the District's cell phone policy accordingly. Also, if the Board intends to allow District personnel to obtain network cards from its cell phone provider, it should adjust the cell phone policy to address the positions that are authorized to have a network card and provide other directives regarding the acceptable use and control of the network cards.
18. The Board should ensure that cell phones are assigned only to those positions stipulated in the cell phone policy.
19. The Board should review the cell phone statements and seek reimbursement for missing equipment and any questionable charges that are not official District business expenditures.

20. The Board should ensure that District staff cancel the cell phone plans in a timely manner for those employees who leave District employment. Also, the Board should ensure that all District cell phone plans are correctly identified with the individuals' names of those who are actually using the plans.
21. The Board should develop written policies that include specific procedures for maintaining adequate records, purchasing, disposing and maintaining custody of District assets for vehicles and equipment.
22. The Board should review the inventory of District vehicles to determine if all are necessary and adopt procedures, such as requiring District staff to maintain vehicle usage logs, to document how District vehicles are used.
23. The Board should declare an asset as surplus or obsolete by resolution prior to disposal of the asset. When determining whether District assets are surplus or obsolete, the Board should indicate in the minutes of its proceedings which equipment and/or vehicles that it deems are surplus and/or obsolete.
24. The Board should determine the value of assets marked for disposal and, based on this declared value, determine the appropriate method of disposal to ensure that the District receives the best value for the assets.
25. After a District vehicle is sold, donated or otherwise disposed of, the Board should ensure that the vehicle's title is transferred out of the District's name and that its insurance policy is canceled in a timely manner.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

BOARD OF FIRE COMMISSIONERS

UNIONDALE FIRE DISTRICT

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TREASURER

PETER FISHBEIN
ATTORNEY

February 25, 2014

Mr. Ira McCracken, Chief Examiner
Division of Local Government and
School Accountability
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. McCracken,

The Board of Fire Commissioners of the Uniondale Fire District received the copy of the draft audit report prepared by your office auditing January 1, 2011 through September 30, 2012.

As a Board we recognize a priority of the Office of the State Comptroller is to assist local government officials, including elected Fire Districts Commissioners, to manage government resources effectively and efficiently while providing accountability for the tax dollars spent to support our operation. We also recognize this audit results in recommendations and resources for the Board of Fire Commissioners to use while managing operations and meeting the expectations of our taxpayers.

We the members of the Board of Fire Commissioners of the Uniondale Fire District wish to express our appreciation to the Office of the State Comptroller Division of Local Government and School Accountability in the professional manner in which the auditors conducted their thorough review of the districts records and transactions, while providing valuable information and instruction. The members of the Board view this audit as an opportunity to review and update business practices, policies and procedures. We have already taken the initiative to implement corrective actions, which have provided the District with a new structural framework in the review of all operational and managerial practices, while providing a fiscal oversight and transparency to our taxpayers.

MEETS THIRD TUESDAY OF EACH MONTH

The entire Board of Fire Commissioners has read, discussed and taken much consideration into the recommendations brought forth by your audit team to the district. Below you will find a response to their findings:

1. The Board's current firehouse hall rental policy and procedures are inadequate, and it did not comply with the provisions in the existing policy.

Response:

The Board of Fire Commissioner's has taken into account the recommendations of the auditors report, and the Board has initiated a new hall user policy in which the whole board monitors all contracts with specific hall usage rules as of January 2013. We also have instituted a sound procedure in which all collected deposits are collected by the treasurer, input into our district accounting system and deposited into a separate account. The policy also establishes that all monies disbursed from the separate account are in a check form under the direction, review and approval of the board. While the prior policy and practice did not make use of any taxpayer money, the Board recognizes that the new policy is a better method of handling these transactions. Finally, the treasurer has been directed to ensure all laws and policies regarding disbursement are followed.

2. The Board did not exercise appropriate oversight or establish sound policies and procedures related to credit cards, cell phones, meal expenditures, or vehicles and equipment.

Response:

- A) **Credit Cards:** The current board has reviewed the previous policy and authorization for commissioners to use credit cards. After review of the policy and in conjunction with the auditor's findings, the board has developed a strict new policy, which outlines credit card use. First, all credit cards, including the gas card, have been collected and are kept in the district safe in which the treasurer and district secretary have access. Second, a logbook has been created and kept for sign in, sign out and reason why card is being used. Thirdly, Commissioner's spending limits have been changed. In order for card to be used, a Commissioner must have prior authorization by the majority of board, except in the case of a district emergency, where a Commissioner must follow approved spending limits, and notify at least one other Commissioner of the proposed expenditures.
- B) **Purchase Orders:** All authorized personnel shall utilize purchase orders for all procurement of materials for the district in

accordance with the Procurement policy adapted by the Board with signature of the authorizing Commissioner.

- C) **Claims:** All claims that are received during a billing cycle must be reviewed and signed by a minimum of three Commissioners before the Treasurer can issue payment on any claim after a public meeting.

- D) **Cell Phones:**

The Board failed to enforce the District's cell phone policy and monitor cell phone usage.

Response:

The District is actively in the process of conducting a review of the cell phone policy in which the district is cutting down authorized users to essential personnel of the fire district along with developing and instituting a policy which will allow the board to better monitor phone usage, overages and equipment purchasing. The district corrected all authorized names on bills, ensured that only all authorized personnel are issued phones, and all current equipment is accounted for.

- E) **Meal Expenditures for Conferences and Trainings:**

The District did not have a formal policy that outlined when it is appropriate to provide meals and refreshments, or that described the documentation District officials must maintain to justify the direct business purpose for the meals and refreshments.

Response:

The Board has established a policy where any type of food/refreshments requested by the Chief's Office are supported by documentation to the Board of Fire Commissioners detailing why food/refreshments are being requested, attendance sheet for all personnel and who participated in the firematic activity. Food/refreshments will only be supplied for trainings and standbys. The District's Procurement Policy will be followed as to how a vendor will be contracted. In regard to Meal Expenditures, while on a conference or training, all members will be given the GSA rate as depicted by the IRS for that location.

3. The District's capital asset policy does not provide adequate guidance regarding appropriate inventory recordkeeping and vehicle and equipment usage and disposal.

Response:

The District has taken the auditors findings in this matter very seriously. The Board is working very diligently in adopting a capital asset policy describing the duties of employees involved in asset management, the records that these individuals should maintain, and control procedures that

they must follow to adequately safeguard District assets. The policy is to provide guidance on procedures to follow for disposal of property, in compliance with New York State law. In addition, the Board is adopting a vehicle usage policy that provides guidance to staff and officials on the proper use of vehicles. The District does point out that the vehicles cited in the report was not worth \$47,000 at the time of donation, but were worth approximately \$6,000 in total.

In closing, it is acknowledged that the Board of the Uniondale Fire District is required to practice and continue to develop a financial management procedure and oversight for the District. We also concur that the overall goal of the State Comptroller's Audit was to assist the internal control and separation of duties to safeguard the district's assets.

The Board of Fire Commissioners accepts as a whole the need to put more attention into the oversight and documentation so there will not be questions into the safeguarding of our assets. We are in agreement with the recommendations from the state report and feel our corrective action report is going to provide the district with a new standard and new structural framework to review all operational, managerial practices while providing a fiscal oversight and transparency to our taxpayers of Uniondale Fire District.

Respectfully Submitted,

Anthony Lebron, Chairman
Board of Fire Commissioners

Uniondale Fire District
501 Uniondale Avenue
Uniondale, New York 11553

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, capital assets and inventories, the length of service awards program (LOSAP) and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes and financial books and records. In addition, we reviewed the District's internal controls and procedures over its computerized financial system to help ensure that the information produced by this system was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected the internal controls over the firehouse hall and Board oversight practices for further audit testing. During this audit, we examined the District's books and records for the period of January 1, 2011 through September 30, 2012.

To accomplish the objective of this audit and to obtain valid audit evidence, our procedures included the following steps:

- We reviewed the minutes of the Board's proceedings during our audit period and during 2008 for the purpose of reviewing equipment and vehicle disposals.
- To gain an understanding of the internal controls and assess the controls for design and effectiveness to prevent and detect misuse and abuse, we reviewed the firehouse hall rental policy, credit card policy and cell phone policy.
- We interviewed Board members and employees to gain an understanding of the procedures regarding the firehouse hall.
- To accomplish our evaluation of internal controls over firehouse hall rental cash receipts and disbursements, we examined the calendars, insurance policies, cash receipts book, applications, general ledgers and bank statements during our audit period.
- We identified credit card holders and inspected credit card statements and available supporting documentation to determine whether the expenditures incurred were ordinary, necessary charges against the District and permitted under Town Law or General Municipal Law. We reviewed a representative size of the largest payments made to the credit card companies during our audit period.

- We interviewed District employees and Board members regarding the rules for and guidelines adhered to when purchasing meals and refreshments for different events. We reviewed a representative size of the largest payments during our audit period.
- We examined LOSAP service award point activity reports, canceled checks, menus, invoices and abstracts to determine if meals purchased were ordinary and necessary expenditures for official District business.
- We reviewed the capital asset ledgers for 2011, vehicle titles, insurance policies and equipment invoices. We reviewed documentation related to four of the largest-value capital assets that the District disposed of during our audit period.
- We conducted a physical observation of all District vehicles using a list prepared by the Secretary as of December 2012.
- We interviewed employees and Board members regarding vehicle and equipment procedures for purchasing, recording and disposals.

We conducted this performance audit in accordance with 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.

APPENDIX C

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