



# Wallkill Fire District Inappropriate Payments and Purchases

## Report of Examination

Period Covered:

January 1, 2009 — February 28, 2014

2015M-39



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

January 2016

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 Wallkill Fire District, entitled *Inappropriate Payments and Purchases*. 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 New York State General Municipal Law.

This audit's results and recommendations are resources for District 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*

# Introduction

## Background

The Wallkill Fire District (District) is located in the Town of Shawangunk, in Ulster County. The District is a district corporation of the State, distinct and separate from the Town, and is governed by an elected five-member Board of Fire Commissioners (Board) including a Chair and Vice Chair. The District covers 12 square miles and serves about 3,000 residents. It has approximately 60 volunteer members and provides services including fire rescue, scene support, fire drills and fire safety training.

The Board is responsible for the District's overall financial management. This includes establishing appropriate internal controls over District operations to ensure that assets are properly safeguarded and ensuring that financial transactions are executed in accordance with statutory and managerial authorization. Further, the Board must audit all claims against the District, and no claim should be audited or ordered paid by the Board without an itemized voucher. In addition to their normal duties, the Chair and Vice Chair are both authorized to sign District checks. The District employs a Treasurer, who also serves as the District Secretary. The Treasurer is required to disburse funds when directed by the Board.

The District's budget was \$526,306 for fiscal year 2013 and \$532,474 for 2014, funded primarily with real property taxes.

## Objective

The objective of our audit was to examine internal controls over cash disbursements. Our audit addressed the following related question:

- Did the Board establish adequate internal controls over cash disbursements to properly account for and safeguard District funds?

## Scope and Methodology

We examined internal controls over the District's disbursements for the period January 1, 2009 through February 28, 2014. We extended the scope of our audit to include the period of February 1, 2008 to January 1, 2009 to determine whether prior bank accounts were closed.

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 are included in Appendix C 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. Except as indicated in Appendix A, District officials generally agreed with our audit findings and indicated they have taken, or planned to take, corrective action. Appendix B includes our comments on issues raised in the District's response.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Secretary's office.

## Inappropriate Payments and Purchases

The Board is responsible for overseeing and monitoring 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 consisting of policies and procedures that ensure disbursements are adequately supported and are for proper District purposes. To ensure that controls are effective, the Board should monitor operations, which includes auditing all claims prior to payment to ensure they include appropriate documentation, such as itemized invoices and receipts.

The Board did not establish adequate internal controls over the cash disbursements process. As a result, 12 checks totaling \$241,893 were written to the Chair's wife, of which \$239,622 was inappropriate. The Chair represented \$228,871 of this amount as reimbursement for payments to the District's contracted architect, which neither the Chair nor his wife had made. To obtain reimbursement, the Chair submitted falsified invoices and supporting documentation for nonexistent architectural services, business trip expenses and permits that were never purchased. In addition, the District's credit card was used to make \$14,910 in questionable purchases, including gas, cigarettes, groceries and other personal items.

We also found that the Board did not perform a proper audit of claims prior to payment or ensure that adequate supporting documentation was attached. The District made 63 payments totaling \$451,844 that had no support and another 64 payments totaling \$196,863 that had purchase orders, but no other supporting documentation such as an itemized receipt or invoice. Had the Board performed a thorough audit of all disbursements and questioned the unsupported claims, it likely would have discovered these inappropriate payments and been able to take corrective action.

### **Inappropriate Payments**

A good system of internal controls over cash disbursements ensures that payments are for valid District purposes, adequately supported by an invoice or receipt, properly recorded and approved by the Board prior to payment. Internal controls should be detailed in the District's policies so that employees and officials know exactly what is expected of them. District policy should also require that monthly book-to-bank reconciliations are reviewed by the Board, independent of individuals who write the checks or prepare the reconciliations.

The Treasurer, who is responsible for all financial activity, reports to and is under the direction of the Board, including the Chair. District

policy related to the Treasurer's duties states that the Treasurer disburses funds as ordered by the Board.

We examined all District checks issued<sup>1</sup> from January 1, 2009 through February 28, 2014 and found 12 checks totaling \$241,893 written to the Chair's wife. Of this total, \$239,622 was inappropriate, and in three cases falsified documentation was submitted to the Board as support for payment. The checks were for reimbursement of expenses purportedly incurred for architectural services for a new fire station, trips to inspect a new fire truck and other miscellaneous services depicted in Figure 1.

<b>Figure 1: Checks to the Chair's Wife</b>						
<b>Date</b>	<b>Check Memo</b>	<b>Amount</b>	<b>Amount Actually Expended</b>	<b>Inappropriate Payment</b>	<b>First Signature</b>	<b>Second Signature</b>
<b>Stated Reason for Reimbursement: Architect</b>						
12/28/11	New Property	\$24,680.00		\$24,680.00	Vice Chair	Chair
2/17/12	New Property Arch Reimb	\$39,433.20		\$39,433.20	Chair	Vice Chair
4/12/12	New Property Arch	\$26,450.00		\$26,450.00	Chair	Vice Chair
8/30/12	Arch Reim. New Property	\$33,016.20		\$33,016.20	Chair	Vice Chair
12/13/12	Arch Reimb#7015,16,31	\$21,736.14		\$21,736.14	Chair	Vice Chair
3/22/13	Architecture Reimbs.	\$34,396.12		\$34,396.12	Chair	Vice Chair
7/26/13	Arch. Reimb.	\$20,700.00		\$20,700.00	Vice Chair	Chair
10/15/13	Arch Inv. Reimb.	\$28,459.11		\$28,459.11	Vice Chair	Chair
<b>Subtotal: Architect</b>		<b>\$228,870.77</b>		<b>\$228,870.77</b>		
<b>Stated Reason for Reimbursement: Truck Inspection</b>						
5/18/10	Truck Inspection Trip New Orleans, LA	\$4,398.61	\$300.00 <sup>a</sup>	\$4,098.61	Treasurer	Chair
6/9/10	New Orleans Truck Inspection	\$5,298.90	\$1,971.20 <sup>a</sup>	\$3,327.70	Treasurer	Chair
<b>Subtotal: Truck Inspection</b>		<b>\$9,697.51</b>	<b>\$2,271.20</b>	<b>\$7,426.31</b>		
<b>Stated Reason for Reimbursement: Miscellaneous</b>						
7/6/11	Windows 2 vehicles, windows 2 firehouse, 1 book	\$975.00		\$975.00	Treasurer	Chair
10/20/11	Permits River	\$2,350.00		\$2,350.00	Treasurer	Chair
<b>Subtotal: Miscellaneous</b>		<b>\$3,325.00</b>		<b>\$3,325.00</b>		
<b>TOTAL:</b>		<b>\$241,893.28</b>	<b>\$2,271.20</b>	<b>\$239,622.08</b>		
<sup>a</sup> Paid in cash by the Chair						

<sup>1</sup> We examined 2,199 checks totaling \$4,282,116.



Architect – The District contracted with an architect (Architect) to develop plans for a new firehouse. At the Architect’s request, the District selected one individual, the Chair, to be the primary contact for all communication between the District and the Architect. It was the Chair’s responsibility to forward any invoices and statements to the Treasurer for preparing the checks and presenting the claims to the entire Board for audit.

From December 2011 through October 2013, eight checks totaling \$228,871 were made payable to the Chair’s wife. Notations on the check stubs indicated the payments were reimbursements related to the new property or architectural costs the Chair’s wife paid on behalf of the District.

Invoices submitted by the Chair to support two of the payments made to his wife (\$24,680 and \$39,433) were printed in fonts that did not match the fonts in any of the valid invoices provided by the Architect, indicating it was not an original invoice. We noted that the invoice number for the \$24,680 invoice was not consistent with the numbering used on other invoices. The invoice associated with the \$39,433 payment was falsified. The original invoice from the Architect was for \$9,433; a fee of \$30,000 for Design Development was added and a “3” was placed in front of the \$9,433. The Architect confirmed that both of these invoices were not original invoices and said the font used on the invoice was not a font that he normally used.

Additionally, the Chair had submitted (and his wife received payment based on) a “Proposal” from the Architect for services totaling \$20,700 as evidence of a claim. The Architect told us that the proposed work was never performed and he received no District payment. Another check totaling \$26,450 contained no supporting documentation.

The remaining four checks made payable to the Chair’s wife, for \$33,016, \$21,736, \$34,396 and \$28,459, were supported by valid invoices or documentation from the Architect. However, these invoices had already been paid with a District check directly to the Architect. Therefore, the checks to the Chair’s wife were not reimbursements for payments made to the Architect as noted on the check stub memo.

The District issued a 1099-MISC (IRS tax form for reporting Miscellaneous Income) to the Architect for \$317,009 for the 2013 calendar year, and the Treasurer reported these amounts to the IRS. This amount included payments to the Chair’s wife, which the Treasurer believed were for payments made to the Architect. Upon receiving the 1099 form the Architect contacted the Chair because the amount was incorrect. Several days later the Architect received



an updated 1099 form for \$233,454 which represents the amount the District directly paid to the Architect. There is no evidence to show that the updated amount was submitted to the IRS to correct the error.

According to the Architect, the District was billed and he was paid \$446,973. He confirmed that he did not receive any payments, whether cash, check or other form, from the Chair's wife, and told us that all payments made to him were by District check.

This misappropriation of funds occurred because the Chair was able to circumvent the Treasurer's duties. The Chair requested blank checks from the Treasurer for the purpose of paying the Architect and told the Treasurer he would provide the invoices later. After the Treasurer provided the blank checks, the Chair asked the Vice Chair to sign them. The Vice Chair confirmed that he had signed blank checks for the Chair. In one case, the Chair told the Treasurer he needed a check to reimburse his wife who had made a payment directly to the Architect. The Treasurer repeatedly requested copies of invoices to support payments made, but was only occasionally provided with support, some of which was falsified. Further, while the Treasurer performed bank reconciliations, he did not always review the canceled checks because he prepared most checks himself. The Chair represented to the Treasurer that the blank checks provided were for the Architect, and the Treasurer's reports to the remaining Board members reflected what the Treasurer believed were payments to the Architect. However, the Board did not question those instances where documentation was not provided.

Truck Inspection Trip – In 2010, the District contracted to purchase a fire truck from a contractor in Louisiana. The truck was customized to meet the District's specific needs and had to be inspected before the District accepted delivery.

In May 2010, the Chair contacted a travel agency, booked a trip for four District members and paid \$2,359 in cash for it. He submitted an invoice from the travel agency for \$4,399 and received a reimbursement check for that amount, payable to his wife, from the District (an overpayment of \$2,040). The trip was subsequently canceled, and the Board minutes indicated that no refund would be received from the travel agency. However, the travel agency confirmed that it issued a refund of \$2,059 directly to the Chair for the canceled May trip.

In June 2010, the Chair re-booked the trip and paid \$1,971 for it. The District issued a check to the Chair's wife for \$5,298 as reimbursement (an overpayment of \$3,328).

The total amount the Chair's wife received from the District for these trips was \$9,697, which is \$5,367 more than the Chair's actual payments of \$4,330. Added to the travel agency's \$2,059 refund to the Chair – which he did not remit or report to the District – the Chair and his wife received a net total of \$7,426 as a result of the Chair's fraudulent expense claims.

We reviewed an invoice totaling \$4,399 on file at the District which appeared to be from the travel agency to support the Chair's May payment and found that the font used to show the amount appeared to be different from the font used in the rest of the document. We obtained the original invoice from the travel agency, which reflected the \$2,359 amount actually paid, and the travel agency confirmed it had not generated an invoice of \$4,399. Therefore, it appears that the Chair presented the District with an altered document.

Miscellaneous – The District made payments of \$975 and \$2,350 to the Chair's wife. The checks indicated these payments were for “Windows 2 vehicles, windows 2 firehouse, 1 book” and “Permits River.” There was no documentation to support these expenditures. Further, it is not normal business procedure for the Chair's wife to incur such costs on behalf of the District. The Vice Chair told us that no permits were ever obtained. We believe these reimbursed payments are also questionable.

Had the Board instituted and enforced proper controls, including a check disbursement policy and independent review of bank reconciliations, the Chair would not have been able to circumvent the Treasurer's duties and these inappropriate claims would likely have been detected.

## **Inappropriate Purchases**

The District's credit card policy states that the credit cards are to be used for official District business only. The policy requires that all receipts for credit card purchases be attached to a voucher and submitted to the Board for payment approval. The receipt must detail all charges including the name of the individual who incurred the charge, the reason for the charge and the amount. Individuals who do not provide proper support will be personally responsible and must reimburse the District within 30 days of the District's receipt of the credit card invoice. The District issued credit cards to the Treasurer, Chair and Fire Chief.

The District's credit card transactions included 658 purchases totaling \$75,757<sup>2</sup> for which only 33 purchases totaling \$5,810 contained

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<sup>2</sup> Consisting of 265 charges, totaling \$35,426, on the card issued to the Treasurer; 237 charges, totaling \$15,302, on the card issued to the Chair; and 156 charges, totaling \$25,029, on the card issued to the Fire Chief.

receipts. Due to the limited number of receipts provided, we reviewed documentation to support \$21,950 in purchases directly from selected vendors.<sup>3</sup> Of the \$27,760 that we reviewed, \$14,910 was questionable. For example, the Chair made purchases totaling \$8,377 of gas, general merchandise and cigarettes. The District's Vehicle Use policy is silent as to who is entitled to gas. Other questionable purchases included dog food, women's pants, men's T-shirts and personal hygiene items. The District was not reimbursed for these charges. At our request, the Treasurer reviewed several purchases and agreed they did not appear to be for a valid District purpose. The Vice Chair told us that it was not reasonable for the Chair to purchase gas for his personal vehicle on a District credit card.

In addition, the District spent \$1,292 on E-ZPass<sup>4</sup> charges since June 2010, charged directly to the Treasurer's District credit card. The District has six E-ZPass tags, two for regular vehicles and four for large fire trucks. The primary usage occurred on three tags. One tag with total usage of \$367, for a regular vehicle, was used 72 percent of the time between 5 a.m. and 8 a.m. to cross the Newburgh Beacon Bridge, which is outside the District limits. A second tag, for a large truck, had \$338 in usage and was used 51 times to cross the Newburgh Beacon Bridge, 38 of which were in the 5 a.m. timeframe. Because the second tag was business class rather than personal, the District paid \$4.50 instead of \$1.25 for this vehicle to cross the bridge. The third tag, for a regular vehicle, had \$221 in usage and was also used regularly for travel outside the District; \$78 was for travel on the New Jersey Turnpike, Garden State Parkway, Atlantic City Expressway and George Washington Bridge. The Treasurer told us he has never received any statements related to the E-ZPass and, therefore, it is not likely that Board members reviewed them.

These questionable payments occurred because Board members did not adequately audit the District's disbursements and did not question claims that lacked essential documentation such as receipts or statements. As a result, Board members could not determine whether the credit card purchases were for proper District purposes.

## **Audit of Claims**

New York State Town Law requires that the Board audit all claims against the District prior to payment and by resolution order the Treasurer to make the payments. The law requires that an itemized voucher be presented for each claim. The process should entail a thorough and deliberate examination to determine whether each claim is a legal obligation and proper charge against the District. A claim

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<sup>3</sup> We chose a total of 15 vendors based on higher dollar amounts and purchases that did not appear to be for valid District purposes.

<sup>4</sup> A prepaid electronic toll collection system

package should contain enough detail and sufficient information to make that determination.

The Board did not perform a proper audit of claims prior to payment or ensure that adequate supporting documentation was sufficient to determine that charges were for proper District obligations. We reviewed 900 payments totaling \$1,220,708 from January 1, 2012 through December 31, 2013 to determine if they were adequately supported. Payments totaling \$451,844, or more than one-third of the total amount, were made with no support. Payments totaling \$196,863 were made with limited support, such as a purchase order, but no invoice or receipt. While most payments contained both a purchase order and supporting documentation, they accounted for less than half of the total amount paid out.

When an effective claims audit is not performed, the Board is at risk of not detecting or preventing unauthorized or improper claims from being paid. Its failure to question and investigate undocumented claims, combined with the lack of a District policy for cash disbursements, resulted in the inappropriate payments and purchases identified in this audit.

## **Recommendations**

The Board should:

1. Review the questionable disbursements identified in this report and seek reimbursement as appropriate.
2. Implement a cash disbursement policy that prohibits distribution or signing of blank checks.
3. Require the Treasurer to prepare cash disbursement reports that correspond to the bank statements and bank reconciliations and ensure that all checks have been accounted for.
4. Review the Treasurer's bank reconciliations along with canceled checks to ensure that all checks agree with the records.
5. Properly audit all claims before authorizing payment. The audit should ensure that each claim has detailed supporting information.
6. Ensure that all disbursements are made by District check or credit card so that any refunds related to these disbursements are returned to the District.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

BOARD OF FIRE COMMISSIONERS  
WALLKILL FIRE DISTRICT  
P.O. Box 460  
18 CENTRAL AVENUE  
WALLKILL, NY 12589  
845-895-3729

November 8, 2015

Ms. Tenneh Blamah  
Office of the State Comptroller - Newburgh Regional Office  
33 Airport Center Drive Ste. 103  
New Windsor, NY 12553

Dear Ms. Blamah:

The Board of Fire Commissioners of the Wallkill Fire District would like to take this opportunity to thank the Office of the State Comptroller (OSC) for your thorough audit of our financial records. This letter will serve as both our response to the draft report and our Corrective Action Plan (CAP). In general, the Board is in agreement with the audit findings.

One comment that needs clarification is the reissuance of the 1099 form to the architect (page 8, paragraph 4). The Treasurer is the individual responsible for generating and mailing all 1099 forms. The Treasurer was not the individual who reissued the updated 1099 form to the architect, and had no communication with the architect about any financial issues whatsoever. The Board and the Treasurer were not made aware that a 1099 had been reissued until the OSC's draft report had been issued.

See  
Note 1  
Page 17

It should also be noted that the former Chair would use the Treasurer's District issued credit card when travelling on Fire District business. After District business concluded, he did not immediately return the Treasurer's credit card, giving him the opportunity to make unauthorized purchases as discussed on page 10. He rarely, if ever, turned in receipts. When the Treasurer repeatedly asked for receipts, the Chair responded that "if there was ever an audit, the auditors can come to my home and go through a shoebox of receipts in my garage."

Additionally, on page 13 of the report, the sentence "We were not provided with vouchers for 2014;" the investigators at the OSC did not at any time request from the Board any documentation from calendar year 2014; therefore, there was nothing to provide.

See  
Note 2  
Page 17

One final item that is missing from the report is that on more than one occasion, the former Chair forged the Vice Chair's signature on checks that were made payable to his wife.

In response to the OSC's recommendation #1 on page 11, the Wallkill Fire District has already received reimbursement from the former Chair the amount of \$139,622.08. Through



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their attorney, the Commissioners have been advised that they will receive an additional \$100,000 upon the former Chair's sentencing in January 2016.



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Upon the arrest of the former Chair, interim fiscal procedures were implemented and approved at the July 2015 monthly meeting during the presentation of the Treasurer's Report. It was decided that these procedures would be altered, if necessary, once the OSC's draft report was provided to the Board. The following will act as the CAP as is relative to this audit:

1. The Treasurer will not present any bills to be paid unless all supporting documentation is present. This may include, but is not limited to, invoices, purchase orders, itemized vouchers, statements, competitive price quotes, and receipts.
2. For those individuals who have been issued credit cards, charges will not be paid unless all receipts and supporting documentation is present. Any finance charges and late fees will be billed to the appropriate budget line item (refer to Wallkill Fire District Credit Card Policy).
3. Credit cards shall be used only by those whose name appears on the credit card. In the event a Commissioner needs to use a credit card, or a credit card needs to be used due to travel, the Board must unanimously agree to the request. This information will be disclosed at the next regularly scheduled meeting.
4. All bills, timesheets, and Fire Police mileage/stipend requests are due to the Treasurer no later than 5:00 p.m. on the Friday preceding the regularly scheduled meeting night in order for the Treasurer to adequately review and create purchase orders and checks. Any bills that are received after this date will be paid at the following month's meeting, except for regularly occurring monthly utility bills.
5. Bills will be audited by the Board of Fire Commissioners on the night of the regularly scheduled monthly meeting. It is imperative that the Board fully analyze each and every bill, and pose questions and comments to the Treasurer. If there is any question about a specific disbursement, it may be removed from the pile and held for payment until the Board is satisfied as to its validity.
6. The Treasurer will continue to provide the following reports at each monthly meeting: current disbursements, current budget position, and account balances. If there are any other reports that are requested by the Board, the Treasurer will generate them and include them in the monthly packet or upon request.
7. Once a year, prior to the annual audit and after the close of the fiscal year, the Board of Fire Commissioners will hold a work session and will audit all disbursements. The

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Treasurer shall be present to answer any questions, and the results of the internal audit will be documented and discussed at the next regular monthly meeting.

8. All checks shall be signed by the Treasurer and one of the two authorized Commissioners. If the Treasurer is somehow unavailable or otherwise incapacitated, the two authorized Commissioners may sign the checks, and the Treasurer will review these disbursements and approve them at the next regularly scheduled meeting.
9. In the event that a regular monthly meeting is cancelled, the Treasurer has been authorized to pay any regularly occurring monthly bills and to process payroll. In the event the Treasurer cannot obtain a second signature in a timely fashion, he is further authorized to mail any regular occurring monthly bills and to process payroll. These bills will be examined and approved by the Commissioners at the next regular monthly meeting.
10. Prior to the start of each regularly scheduled monthly meeting, the Board of Fire Commissioners will audit the reconciled bank statements as provided by the Treasurer. Each Commissioner will initial each bank statement, and will question the Treasurer as to any questions that they may have.
11. When possible, the Treasurer will obtain a "Claimant's Certification" as outlined on each purchase order, in order for the vendor to certify that they claim being presented is true and correct.
12. The Chief, and anyone else authorized to make purchases requiring verbal and or written quotes, will provide the Board of Fire Commissioners and the Treasurer with a listing of the verbal quotes obtained and copies of any written quotes, when required. This paperwork will be attached to the purchase order when presented to the Board for approval of payment. No longer will the Board of Fire Commissioners approve purchases at a regular monthly meeting without this paperwork being presented.
13. The Treasurer will be responsible for the blank check stock, and will at no time be authorized to issue a blank check to any vendor, Member of the Fire Company, or anyone on the Board of Fire Commissioners. Should such a request be made, the Treasurer is compelled to immediately contact all Commissioners regarding such a request.
14. All disbursements will be made by District check or credit card. An emergency purchase or repair can be made by a Commissioner and reimbursed at a regular monthly meeting so long as the Commissioner making the emergency purchase request receives written



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approval from three other Commissioners, which will be attached to the voucher when submitted for payment.

The Board of Fire Commissioners greatly appreciates the OSC's help throughout the entire audit process. Your recommendations have assisted us in reformulating our policies and procedures in order to ensure that all District funds are properly disbursed and that all paperwork is in order prior to any funds being disbursed. Regular audits of financial records will also occur, as well as a review of bank statements on a monthly basis. The Board will take every measure possible to ensure that taxpayer funds are disbursed in accordance with New York State law.

Sincerely,

Eric Orr  
Chairman

## **APPENDIX B**

### **OSC COMMENTS ON THE DISTRICT'S RESPONSE**

#### Note 1

Our report did not specifically reference the Treasurer (or any other individual) as having reissued the updated 1099 form.

#### Note 2

The audit scope period ended February 28, 2014. At the time our data was collected, the 2014 vouchers were not available; thus, we reviewed available bank statements through that date.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the internal controls over cash disbursements for the period January 1, 2009 through February 28, 2014. We extended the scope of our audit to include the period February 1, 2008 through January 1, 2009 for confirming that prior bank accounts were closed. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed key officials to gain an understanding of the District's policies, procedures and processes. Further, we interviewed officials and vendors to obtain explanations or clarifications of issues identified.
- We reviewed Board minutes for information related to policies and procedures, to identify revenues, information on purchases and related disbursements, personnel changes and discussions regarding the architect.
- We reviewed the District's policies and procedures.
- We compared the District's budgeted versus actual revenues and expenditures.
- We compared bank records for the audit period to the records to determine if the records were complete and accurate. Further, we verified that accounts previously held by the District were closed.
- We reviewed the District's vouchers for the period of January 1, 2012 through December 31, 2013 to identify any questionable transactions. We selected this timeframe with the expectation that if significant questionable transactions were identified, the testing would be expanded to include the earlier years of the audit period. We were not provided with vouchers for 2014.
- We prepared a schedule of transactions for the District's credit card. We reviewed the vouchers provided for the period January 1, 2009 through December 31, 2013 to determine if a voucher existed, if the voucher contained signatory approval from the Board and if receipts supporting the transactions were attached. Further, we obtained documentation directly from select vendors, which included receipts for purchases and details of transactions, to determine if transactions were for valid District purchases. We chose those vendors with the higher dollar amounts of transactions, or with purchases that did not appear to be for a District purpose.
- We obtained information from the Architect and prepared a schedule of billings to determine how much the District had been billed for services. We also reviewed the contract to determine if services appeared to be in accordance with the agreement. Next, we compared the amounts paid by the District to the amounts the Architect received to identify any discrepancies and to determine if amounts were in agreement with amounts billed. Finally, we interviewed the Architect to clarify and confirm our findings.

- We obtained a schedule of gas transactions and amounts received for those transactions from the Town of Shawangunk (Town) for the period January 1, 2009 through February 25, 2013 (the last date the District purchased gas from the Town). We compared the District vouchers to Town data to verify integrity of the data and then reviewed and summarized transactions.
- We obtained billing information directly from the vendor for gas purchases made through Sunoco for the period March 19, 2013 through February 28, 2014 and prepared a schedule of transactions which included the amount, gallons and name of the individual making the purchase. We summarized the purchases by name and followed up with District officials to determine if individuals initiating the purchases were entitled to gas under District policies.

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 D

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