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February 2017

Michael Rose, Chairman
Members of the Board of Fire Commissioners
Glenham Fire District
76 Old Glenham Road
Glenham, NY 12527

Report Number: 2016M-380

Dear Chairman Rose and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works to identify areas where fire district officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Glenham Fire District (District), which addressed the following question:

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

The results of our audit 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 initiate corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Glenham in Dutchess County. The District's 2015 general fund budgeted appropriations totaled approximately \$320,000 and were funded primarily by real property taxes. The Board of Fire Commissioners (Board) is composed of five elected members and is responsible for the District's

overall financial management and safeguarding its resources. The Board appointed a Treasurer who acts as the District's chief fiscal officer and is responsible for the receipt and custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements.

We examined the District's claims processing procedures for the period January 1, 2015 through August 31, 2016. We interviewed District officials and reviewed financial records and Board minutes. We also determined if claims were supported by documentation, were for appropriate purposes and audited and were approved prior to payment. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not our intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Audit Results

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

On a monthly basis, the Treasurer provides the Board with an abstract (i.e., list of claims) and the corresponding claims. The Board audits each claim and authorizes the Treasurer to make payment, which is indicated by the Commissioners' signatures on the abstract and the adoption of a Board resolution that includes the claims and the total amount audited and approved.

The District paid 325 claims totaling \$814,379 during our audit period. We reviewed 70 check disbursements² and corresponding claims totaling \$517,140. The Treasurer told us he writes and dates checks prior to Board approval but does not mail them to the payees until after the Board reviews the claims and approves the abstracts at the monthly meetings. However, checks for 19 claims totaling \$32,320 were cashed prior to Board approval. Thirteen of those 19 checks were cashed prior to Board approval because the Board made a motion to delay acceptance of the abstract until the following month. The remaining six checks were on abstracts that were approved by the Board during the same month, but the checks were still cashed prior to approval. Under Town Law, none of these claims were allowed to be paid prior to the Board's audit and approval.

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

² We judgmentally selected 10 percent of the non-payroll and non-credit card claims and all credit card claims during our audit period.

We also found four claims totaling \$2,267 that did not have sufficient supporting documentation. These claims were for purchases at a local delicatessen, a repair shop and two credit card payments. Although the Treasurer told us they were for appropriate District purposes, without supporting documentation, the Board has no way to determine whether these claims were appropriate. Although fire districts are not required to pay sales tax on purchases and services they obtain, eight claims contained sales tax totaling \$210. In addition, one credit card claim included unnecessary late fees and finance charges totaling \$138.

When claims are paid in advance of Board approval, without adequate supporting documentation or without a thorough review of individual claims there is an increased risk that unauthorized or inappropriate claims could be paid and remain undetected.

Recommendations

The Treasurer should:

1. Ensure that no claims, other than those allowed under Town Law, are paid prior to the Board's audit and approval.

The Board should:

2. Ensure that all claims are supported by adequate documentation prior to approving payment.
3. Perform a thorough audit of individual claims and ensure they do not contain sales tax or other unnecessary charges.

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

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

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Glenham Fire District
P.O. Box 191 - 76 Old Glenham Road
Glenham, New York 12527
Tele. No. 845-831-2322 / Fax No. 845-831-5480

January 25, 2017

Tenneh Blamah
Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725

Dear Ms. Blamah:

The Board of Fire Commissioners of the Glenham Fire District has received and reviewed Draft Report Number 2016M-380, dated December 28, 2016, of the Audit of our claims and their support by adequate documentation. The Treasurer and our Legal Counsel also had the opportunity to participate in an exit conference with [REDACTED] and [REDACTED] regarding same on Tuesday, January 10, 2017.

The Board of Fire Commissioners would like to take this opportunity to formally submit our written response to the subject Draft Report to your office.

In summary, our position regarding all findings and recommendations is that we are in full agreement and will be taking the necessary corrective actions. We are also taking the option of combining this response to the report and our Corrective Action Plans (CAPs) into one document. Our CAPs will be found directly following this response in APPENDIX A.

Sincerely,

Michael Rose
Chairman of the Board of Fire Commissioners
Glenham Fire District

Glenham Fire District
P.O. Box 191 - 76 Old Glenham Road
Glenham, New York 12527
Tele. No. 845-831-2322 / Fax No. 845-831-5480

APPENDIX A

Unit Name: Glenham Fire District
Audit Report Title: Draft
Audit Report Number: 2016M-380

For each recommendation included in the draft audit report, the following are our corrective actions taken or proposed to be taken. There are no recommendations where corrective action has not or will not be taken.

Audit Recommendation #1: "The Treasurer should:"

Ensure that no claims, other than those allowed under Town Law, are paid prior to the Board's audit and approval.

Implementation Plan of Action:

No bills, other than those allowed by Town Law §118 (i.e. fixed salaries), shall be paid prior to being approved by the Board of Commissioners. We will reserve the right to revisit Town Law §118, item #2 to decide if a formal resolution would be of benefit to the District in allowing for the payment of public utility services, postage, freight and express charges.

Implementation Date:

This corrective action will be implemented immediately.

Person Responsible for Implementation:

The District Treasurer will be responsible for implementing the above corrective action and will be held accountable for this by the Board of Commissioners.

APPENDIX A (continued)

Audit Recommendation #2: “The Board should:”

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

Implementation Plan of Action:

It has been reinforced with authorized individuals that no payment will be approved without proper supporting documentation, such as receipts, vouchers, statements and/or detailed invoices from the supplier. If it is a personal reimbursement being requested, and no receipt or fully completed voucher is available, it will not be approved for payment until such time that sufficient documentation is produced. Emergencies will be handled on an ‘as needed’ basis with sufficient records being maintained regarding the date and nature of said emergency and signed by the commissioner(s) involved during that emergency. Any emergency will subsequently be discussed and documented at the next regular meeting of the Board of Fire Commissioners.

Implementation Date:

This action has already been implemented.

Person Responsible for Implementation:

Each member of the Board of Fire Commissioners will be responsible for ensuring that the appropriate documentation is available before claims are approved to be paid by the Treasurer.

APPENDIX A (continued)

Audit Recommendation #3: "The Board should:"

Perform a thorough audit of individual claims and ensure they do not contain sales tax or other unnecessary charges.

Implementation Plan of Action:

Each member of the Board of Fire Commissioners will be more vigilant when reviewing claims in order to determine if the treasurer may have missed inadvertent charges such as sales tax or other charges that should not have been claimed. If a charge has been determined to be unwarranted, they will instruct the treasurer to omit that charge from payment.

Implementation Date:

This action will be implemented during the next review of audited claims at the Board of Fire Commissioners meeting on February 8, 2017.

Person Responsible for Implementation:

Both the Treasurer and the members of the Board of Fire Commissioners will be responsible for implementing this action.

Signed:

Michael Rose
Chairman of the Board of Fire Commissioners

1-25-17

Date