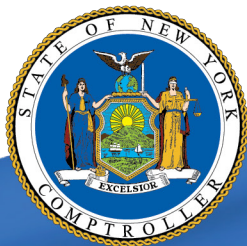


Brighton Fire District

Non-Payroll Disbursements

APRIL 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Brighton Fire District

Audit Objective

Determine whether Brighton Fire District (District) officials ensured that non-payroll disbursements were appropriately procured, properly approved, adequately supported and for District purposes.

Key Findings

District officials did not ensure non-payroll disbursements were properly procured, approved or adequately supported.

- Of 97 disbursements tested totaling \$1.13 million, seven disbursements totaling \$568,648 lacked adequate documentation that competitive bids or quotes were obtained or not required, itemized receipts or documentation of prior approval.
- Of 19 professional service providers paid \$769,931 in 2019, officials did not seek competition or provide documentation that competition was sought for 11 totaling \$133,567.
- The District may have saved about \$7,100 for meals and lodging if the United States General Service Administration (GSA) per diem rates were used.
- The financial software allowed changes to transaction data without approval and officials did not use available software controls to further safeguard transactions.

Key Recommendations

- Comply with competitive bidding statutes and the District's procurement policy.
- Ensure claims are audited prior to payment and adequately supported.
- Implement compensating controls for software control deficiencies.

District officials disagreed with some of our findings but indicated they have implemented corrective action. Appendix B includes our comments on issues raised in the District's response.

Background

The District is a district corporation of the State, distinct and separate from the Towns of Brighton and Pittsford in Monroe County.

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 annually appoints a Treasurer and a business manager. The Treasurer is the District's chief fiscal officer and responsible for the custody, receipt, and disbursement of District funds. The business manager serves as the purchasing officer and assists the Treasurer. The Board also appoints an Executive Director who is responsible for managing the District's day-to-day operations.

Quick Facts

2020 Appropriations	\$6.7 million
2019 Non-Payroll Disbursements	\$3.1 million
Annual Calls	2,400
Fire Stations	3

Audit Period

January 1, 2019 – May 18, 2020

Non-Payroll Disbursements

How Should a Board Oversee Disbursements?

A board is responsible for overseeing financial activities and safeguarding resources. New York State (NYS) General Municipal Law (GML)¹ generally requires districts to solicit competitive bids for purchase contracts in excess of \$20,000 and contracts for public work in excess of \$35,000. Trade-in allowances may be used to arrive at the lowest purchase price. In lieu of soliciting bids, a district is authorized to make purchases using certain other publicly awarded government contracts, such as those by the NYS Office of General Services (State contracts)² or certain contracts awarded by other governments.³ For this exception to apply, the other government contract must be let in a manner consistent with GML and made available for use by other governmental entities. District officials are responsible for reviewing each proposed procurement to determine, on advice of the district's legal counsel as appropriate, whether the procurement falls within the exception.⁴ Districts should maintain appropriate documentation to demonstrate that the prerequisites were satisfied to support the decision to use this exception, including a copy and analysis of the contract.

GML requires a board to adopt written policies and procedures governing the procurement of goods and services, such as professional services, that are not subject to competitive bidding requirements, to help ensure the prudent and economical use of public money and help guard against favoritism, improvidence, extravagance, fraud and abuse. In general, the procurement policy should require that alternative proposals for goods or services be secured through written requests for proposals (RFPs), written or verbal quotes or any other appropriate method of competitive procurement. The procurement policy may set forth circumstances or types of procurements for which solicitation of alternative proposals will not be in the district's best interest and should describe procedures for maintaining adequate documentation to support and verify the actions taken.⁵

The District's procurement policy requires purchasers to obtain all materials, supplies, equipment or services at the best possible prices and maintain adequate records. For procurements in excess of \$2,500 that do not require competitive bidding, at least two written quotes are required. All written quotes and a copy of the related purchase order must be filed with the business manager. Additionally, purchase orders are to be placed only upon determining that there is sufficient money available in the budget.

1 NYS General Municipal Law (GML) Section 103

2 GML Section 104

3 GML Section 103(16)

4 The NYS Office of the State Comptroller (OSC) has published a bulletin to assist officials to address the prerequisites for a local government to use the exception set forth in GML Section 103(16) (<https://www.osc.state.ny.us/localgov/pubs/piggybackinglaw.pdf>).

5 GML Section 104(b)

The Board is also responsible for establishing a well thought out travel and conference policy. For example, a fire district can often save on lodging and meal costs by incorporating the federal per diem guidelines⁶ in its travel and conference policy. The District's travel policy required travel to be by the most cost effective and reasonable means, as determined by the Board and the District official assigned to make travel arrangements. Travelers are required to submit a travel expense report that fully describes and details the expenses incurred and is accompanied by all necessary receipts (for lodging, transportation, meals, tolls, etc.). Reimbursement for meal expenses (including gratuities) is allowed up to a maximum of \$80 per day and requires receipts for all meals. Alcoholic beverages are not an authorized expense and are not reimbursable.

An effective claims audit process subjects every claim to an independent, thorough review to ensure it has adequate supporting documentation, represents actual and necessary expenditures and complies with statutory requirements and District policies.

Effective financial software controls should be in place to safeguard disbursements by helping ensure changes and deletions such as to vendor names and disbursement amounts cannot be made without approval. In addition, the software should provide a means of determining the identity and activity of individuals who access the software and ensure that an independent party may routinely review data entered into and changed in the system.

Officials Did Not Always Maintain Supporting Documentation When Competitively Procuring Goods and Services

During our sample disbursement testing,⁷ we found that District officials did not have adequate documentation that they complied with competitive bidding requirements for the purchase of a rescue truck. We also questioned the process used for awarding a bid for a fire chief vehicle.

Rescue Truck – District officials did not maintain sufficient documentation to support that the purchase of a \$758,718 rescue truck complied with bidding requirements. Our testing sample included the \$500,000 deposit payment.

6 The GSA sets maximum per diem rates for meals and lodging. These rates are based on location and are set by fiscal year, effective October 1st of each year. See www.GSA.gov and the OSC publication: <https://www.osc.state.ny.us/files/local-government/publications/pdf/travel-and-conference-expense-management.pdf>.

7 See Appendix C for details on our sampling methodology.

Although District officials worked with a group purchasing organization (GPO) to purchase the rescue truck, officials did not provide adequate GPO bidding documentation, including how the GPO selected the winning bid. District officials considered the rescue truck as an exempt purchase but could not provide adequate documentation to support their exemption classification. Although the Executive Director told us that the District purchased from this organization in the past and that he verified certain information on the GPO's website, in our view, this is not sufficient to demonstrate that the GPO's bid process for this purchase met the exception to the NYS competitive bidding requirements.

Further, the limited documentation provided by the District included previous (2015) correspondence with the District's attorney when the District initially explored the use of this GPO for apparatus purchases. According to the correspondence, the attorney was concerned that purchases through the GPO would not fully comply with NYS bidding statutes, to the extent that contracts included unpublished (un-bid) vehicle options, which accounted for \$153,666 of the total rescue truck purchase price. While officials appropriately sought advice from the District's legal counsel on the use of the GPO, they told the Board the attorney believed that using the GPO abides by the piggybacking rules they must follow, despite the attorney's documented concerns. In 2019, the Board approved this rescue truck purchase through this GPO and District officials did not maintain any other documentation to show that the District made additional efforts, or received additional information, to verify that the purchase qualified as an exception to the competitive bidding requirements set forth in GML.⁸

Finally, while the District's procurement policy provided for the use of a State or County contract, as an exception to competitive bidding, the policy was silent with respect to using contracts let by other local or state governments. After we completed fieldwork, District officials provided an updated procurement policy that authorizes the use of contracts let by other governments.

After receiving our draft report, officials provided additional documentation including the GPO bid and GPO agreement with the awarded contractor. These documents were not available or provided during our audit fieldwork and still did not demonstrate if the contractor was selected in a manner compliant with NYS bidding requirements and did not address the unbid vehicle options, despite documented legal concerns.

Fire Chief's Vehicle - The District conducted its own bid process to purchase a vehicle for the Chief. According to the bid specifications, the District sought to purchase a fire utility vehicle with the option to purchase a second utility vehicle. Because the District was considering using a fire utility vehicle as partial payment for the new vehicle(s), the bid specifications required bidders to include a trade-in option as part of their bid.

After we completed fieldwork, District officials provided an updated procurement policy that authorizes the use of contracts let by other governments.

⁸ For purposes of this report, the legal propriety of the contract, including whether each of the prerequisites set forth in GML Section 103(16) were met, was outside the scope of our audit.

Board minutes following the bid opening stated that the truck committee had unresolved questions and was not prepared to proceed. However, during the same meeting, the Board unanimously approved the purchase, pending the truck committee resolving its bid questions. There was no documentation or follow-up in future minutes as to what the questions were, how they were resolved or identification or approval of the vendor awarded the contract.

We reviewed the bid documentation and found that three vendors submitted bids to the District. It appeared that two vendors submitted bid amounts for one vehicle, and did not include an option for the purchase of a second vehicle. A third vendor, who was awarded the contract, submitted an amount for two vehicles and did not submit a bid amount for a vehicle trade in. However, on the District's bid summary, from which the awarded bid was selected, the third vendor was listed with a trade-in amount and pricing for one vehicle (half the two vehicle bid amount). Therefore, although officials selected the lowest dollar amount (\$42,031) from their bid summary for the purchase of the vehicle, we question the bid process given the discrepancies between the submitted bid and the bid summary sheet used by the District.

Without adequate documentation supporting an appropriate bid process, officials cannot provide assurance of the prudent and economical use of public money.

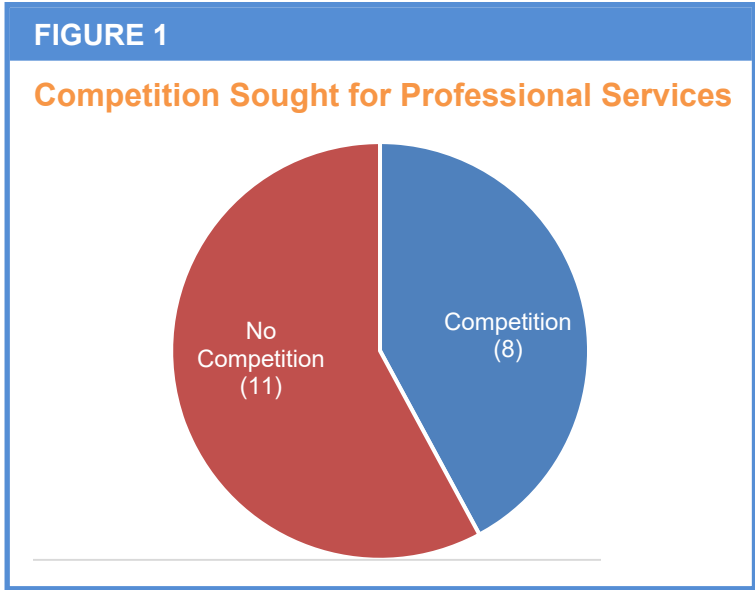
Officials Did Not Always Seek Competition When Procuring Professional Services

The District's procurement policy did not separately address the procurement of professional services, or provide for the use of RFPs, which are commonly used by other local governments to seek competition for professional services. Instead, the procurement of professional services appeared to be subject only to the District's procurement policy provisions requiring two to three written quotes for all items or services costing more than \$2,500.

We identified all professional service providers paid more than \$2,500 during the year, and reviewed available documentation related to those 19 professional service providers who were paid a total of \$769,931 in 2019. District officials sought competition for eight professional service providers, which were paid a total of \$636,364.

For the remaining 11 professional service providers that were paid \$133,567,⁹ District officials could not provide documentation to support that they sought competition or to support their verbal assertions that some of the providers were sole sources (see Figure 1).

⁹ After they received the draft report, officials provided additional documentation for competition sought for one vendor paid \$116,129 that was not provided during fieldwork. Therefore, we updated the report and these numbers reflect the additional documentation provided.



Although District officials verbally provided explanations as to why the District did not seek competition for some of the services procured, they did not document their method or reason for selecting the providers as required by GML and the District’s procurement policy. Further, we identified potential vendors that could have been considered and evaluated as possible alternatives for the services which officials told us were provided by sole source vendors. Additionally, officials did not receive quotes each year for all services. The procurement policy does not specify how often competition should be sought for continuing professional services.

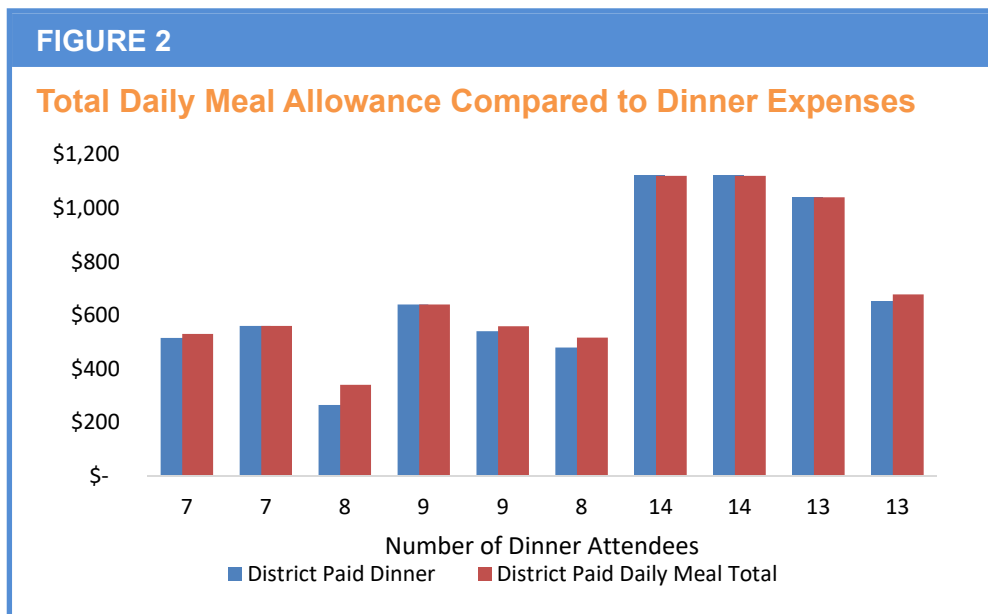
Although competition is not required by GML for professional services, and the products and services procured were for legitimate and appropriate purposes, failure to solicit some form of competition for professional services may result in the District obtaining services without the most favorable terms and conditions, in the best interests of District taxpayers.

The updated procurement policy officials provided after we completed fieldwork contained additional guidance for procuring professional services, requiring RFPs from at least two professionals for most professional services, but leaving procurement of heating, air conditioning, plumbing, electrical, insurance and legal services at the Board’s sole discretion. The updated policy also lacked requirements for maintaining documentation of proposals received and the reasons for vendor selection.

Certain Disbursements Lacked Adequate Supporting Documentation

Of the 97 disbursements tested,¹⁰ five disbursements totaling \$26,617 lacked adequate supporting documentation. Of these five disbursements, four totaling \$21,709 were for employee travel reimbursements that lacked receipts for parking and taxi expenses or sufficiently itemized meal receipts. The fifth disbursement of \$4,908 was for repairs to a backup generator for which the purchase order was dated after the invoice without a documented explanation of why the purchase was made before obtaining an approved purchase order. Additionally, while purchase orders were generally used, the Treasurer was required to certify that sufficient money was available to cover the purchases but often did not certify the purchases.

Employee Travel Reimbursements - The insufficiently itemized meal receipts that we reviewed as part of employee travel reimbursements usually consisted of a large meal expense for a group of travelers. The receipts showed only the total amount charged plus the tip paid. As a result, we were unable to determine whether the amounts reimbursed by the District included alcoholic beverages. While the travel policy required meal receipts and prohibited reimbursement for alcoholic beverages, it did not specifically require sufficiently itemized receipts indicating the items, meals or beverages purchased. As a result, the Board could not verify that it did not reimburse for alcoholic beverages. Furthermore, those reviewing and approving the reimbursement claims did not require itemized receipts to verify travel policy compliance. As shown in Figure 2, the daily meal allowance was often used entirely for dinner expenses.



¹⁰ See Appendix C for details on our sampling methodology.

While the District travel policy stated “[b]ecause food in some cities is more expensive than in others, the interpretation should not be that the maximum will be spent in each instance,” in many instances travelers spent the maximum or just below the maximum meal allowances and the policy does not set further guidance, specifically require clear itemization of each person’s daily meal cost, or require GSA rates be used. For perspective, we found the District could have saved approximately \$1,500 on the 10 dinners paid for during the two conference trips tested had the Board required the use of GSA per diem rates as the maximum meal reimbursement amount.

Additionally, the District paid \$160 for dinner for two individuals not associated with the District. The District’s travel policy did not address meals for non-District personnel and the claim documentation was insufficient. The travel expense report listed their names as dinner attendees, but did not indicate that they were not District employees, or what organization they represented or the reason for paying for their meals. On our inquiry, the Executive Director stated that they considered these District-related meal costs because they had discussions regarding District operations with a conference presenter and fire association member.

District officials also did not maintain documentation of their selection of travel options or that travel was by the most reasonable and cost effective means available. The travel policy also did not require the use of GSA rates for lodging. District officials reduced lodging costs by having two occupants per hotel room, but the room rates were significantly higher than GSA rates and there was no documentation to substantiate a need for a higher room cost (such as best rate available during the conference). While the hotel bills indicated that they were conference-designated rooms, we compared the room rates to GSA rates for perspective and calculated that the District may have been able to save up to \$5,600 if GSA rates were available and used for the two trips reviewed. Officials also did not provide documentation of price comparisons to ensure they got the best available airfare rates, which totaled \$4,983 for 11 conference attendees.

After we completed fieldwork, officials provided an updated travel policy that sets the maximum meal reimbursement rate at the GSA rate, requires “detailed” meal receipts and sets the maximum lodging reimbursement rate at the GSA rate, unless the Board approves an exception. It is essential for the Board to fully enforce its travel policy to ensure only proper and necessary District travel costs are reimbursed, in the best interest of taxpayers.

Employee Cell Phone - We found that the former business manager still had a District cell phone after her employment ended in June 2019. As of March 2020, the District had paid approximately \$567 for her phone when she was no longer an employee of the District. The Executive Director told us that the Commissioners agreed to this because she was still available to answer

questions, but there was no documented Board authorization. The Board Chairman told us that he was aware she still had a cell phone for this purpose and believed it was a reasonable expense for her assistance. Officials provided documentation on September 14, 2020 that they had removed her cell phone from the District's plan in June 2020.

When officials do not ensure that all claims are adequately documented and supported, there is an increased risk that the District could incur unnecessary costs or pay for goods and services that were not actually received or were not for proper District purposes.

Officials Did Not Implement Essential Financial Software Controls

The financial software did not have the necessary controls to maintain data integrity and deter inappropriate activity. The software allowed users to change and delete transaction data, including voiding transactions, and deleting and adjusting vendor names, addresses and disbursement amounts, without approval.

In addition, officials did not use available software controls to safeguard records and resources. The business manager and Treasurer shared a user account and had full access to the software. Although our prior audit recommended officials review the available audit logs and activity reports, officials continued to not use these valuable monitoring tools.

Although the Board Chairman reviews bank statements that contain canceled check images, the ability to alter, add or delete data increases the risk of inappropriate disbursements. Without unique login credentials to link user accounts to specific individuals with properly authorized access rights, there is an increased risk of unauthorized or inappropriate activity. Further, when users share an account, accountability is diminished and any questionable system activity may not be traceable to a specific user.

What Do We Recommend?

The Board should:

1. Ensure documented compliance with competitive bidding statutes and the District's procurement policy.
2. Ensure all claims have adequate supporting documentation.
3. Ensure the Treasurer signs purchase orders to indicate sufficient money is available or implement other practices to ensure compliance with the procurement policy.

-
4. Consider amending the travel policy to describe the level of detail required on submitted meal receipts to allow the Board to ensure it is not reimbursing for unauthorized expenses including alcoholic beverages.
 5. Approve, and document approval of, the use of District cell phones beyond the authorization granted in the cell phone policy and employment agreements.
 6. Ensure that all financial software users have their own unique username.
 7. Consider alternative financial software or implement compensating controls for software deficiencies, such as an independent review of audit logs.

Appendix A: Response From District Officials



BRIGHTON FIRE DISTRICT

3100 EAST AVENUE
ROCHESTER, NEW YORK 14610-3522
(585) 381-3200 FAX (585) 586-3048
www.brightonfd.org

March 8, 2021

Edward V. Grant
Rochester Regional Office
NYS Office of State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608

Mr. Grant:

We are in receipt of your Report of Examination (2020M-133) on Brighton Fire District's non-payroll disbursements. We appreciate the role of the Office of the State Comptroller (OSC) in its oversight and audit capacity for local governments and believe it is an integral component for ensuring transparency and in vetting out improprieties across the state.

Additionally, we are pleased that the results of your audit identified no deliberate or overt misuse of public funds by those volunteers entrusted by the communities in which the Brighton Fire District operates. Our commissioners, staff, and more importantly our paid and volunteer firefighters spend countless hours protecting not only the personal property and people of the community, but the funds given to us to provide those services.

See
Note 1
Page 15

We recognize that no system of controls is perfect, and that observations and recommendations of your staff provide opportunities for us to review our processes and procedures and make improvements where necessary to continue to protect the community. Below please find our response to your findings and recommendations, as well as our corrective action plan for moving forward. Because the context of certain findings in your report may be incomplete because of the OSC's editing process, we have provided clarifying language, as necessary, based on the verbal findings you provided to us.

Documentation, Competitive Bidding and Procurement Policy (Recommendations 1 through 3)

The District made procurements through the Houston-Galveston Area Council of Governments (HGAC) which is a Group Purchasing Organization (GPO). This is nationally recognized GPO used nation-wide and throughout NYS by Fire Districts to procure essential firefighting equipment in a cost-effective and efficient manner. In comparing the GPO's RFP for the rescue truck to the NYS Piggybacking regulations, it's clear that all the necessary elements are included in the GPO's process. Additionally, the GPO allows a portion of the vehicle's options (less than 25% of the total cost) to be selected from the vendor, based on a list of unpublished (un-bid) options. We believe that this bid process qualifies as an exemption from bidding via use of the piggybacking process allowed in NYS. Furthermore, we believe this resulted in the

See
Note 2
Page 15

best value for the District and at more favorable terms than if this vehicle was procured independently. We will review the HGAC's policies with respect to these unpublished options to ensure that going forward, there is no question as to the compliance with NYS procurement rules.

In addition, for procurements which are initiated and completed locally through the District Commissioners or a committee subset thereof, we will ensure that the documentation of our decisions is more clearly delineated.

One procurement questioned by your office was the repair to the Emergency Backup Generator for the main station. During a routine inspection, the Emergency Backup Generator failed critical testing, so the repair was immediately authorized. The audit criticized the District for failing to obtain a purchase order prior to the purchase, but did not recognize that this was an emergency procurement. Immediately after the repair, the necessary Board and Treasurer signatures were obtained using the standard District procurement processes.

See
Note 3
Page 15

Familiarity with Fire District operations is essential to understanding the nuances of certain transactions, and we understand that this may be difficult for those not regularly involved. The District Commissioners, Committees, Executive Director, Treasurer and Business Manager work very closely in connection with any significant procurement. We are confident that in every procurement, whether for equipment or professional services, that the best value and pricing was obtained in each instance.

See
Note 4
Page 15

Corrective Action Plan

We have already prepared a revised purchasing policy which was approved by the Board of Commissioners in October 2020 and was provided to your office. We will continue to review our policies annually to ensure it continues to meet or exceed relevant NYS laws and regulations surrounding procurement.

Status – Completed

Travel Policy (Recommendations 4)

In 2006, the OSC performed an examination of Internal Controls over Information Technology and Administrative Expenses (Report 2006M-178). In that report, your office indicated that "We found that the District's internal controls were appropriately designed and operating effectively to safeguard District assets." And further "Our tests of these transactions revealed that the controls over travel and administrative expenses were operating effectively." As such, we have been operating in the same manner since 2006 with respect to our employee travel reimbursements based on your previous guidance and recommendations.

See
Note 5
Page 15

The audit findings in this current report imply we may have been able to save money using GSA rates for certain hotel rooms without providing evidence that those rates were in fact available or feasible under the circumstances. While not clearly documented, the District did consider the additional costs such as taxis that may have been incurred to stay at a hotel with GSA rates that were not at the conference location.

See
Note 6
Page 15

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Page 3
March 8, 2021

Corrective Action Plan

The District will develop a process and form to document our calculations related to the cost of attendance at future conferences. It is anticipated that this document will include support for selecting the means of travel, location of lodging, meal reimbursements, and number of attendees. This form will be part of the support provided to the Commissioners for approving the attendance at a conference.

Status – To be completed by December 2021.

Cell Phone Use (Recommendations 5)

With the retirement of our long-standing Business Manager in 2019, we felt this was the most economical way to ease the transition for the new Business Manager and the District. We understand that in the future such a decision, even though it is not required under our procurement policy or NYS law, should be approved by the Commissioners.

See
Note 7
Page 16

Corrective Action Plan

Status – Completed, no further action necessary at this time.

Financial Software (Recommendations 6 and 7)

While the District recognizes the inherent limitations of the financial software raised by your auditors, the commentary assumes that this information was unknown to the District. The District is fully aware of the limitations but is also fully aware of the mitigating controls that exist within the District operations. So, while there may not be safeguards within the software, the District has several layers of review for each transaction which culminates in bi-monthly reviews of financial information by the Board at each commission meeting. While we appreciate that a prior audit recommended that we take certain actions, we do also recognize that your recommendations are not authoritative nor are they law. As such we took those into consideration, and after doing as you suggested, found there was no additional benefit by implementing the prior recommendations over the controls we already had in place.

See
Note 8
Page 16

Corrective Action Plan

We have added unique users and login credentials for our financial software. We have previously determined that the cost of a new software package outweighs the incremental benefits; and, believe that is still the case. We will continue to review our existing controls and make any modifications as necessary.

Status – Completed.

Edward V. Grant

Page 4

March 8, 2021

Conclusion

The District Commissioners have always taken, and will continue to take seriously their volunteer responsibility with respect to the fiduciary duties to which they agreed. Our goal is to protect the public's trust, as well as their lives and property, and we will continue to do so as we have in the past.

Sincerely,

Richard Garrett, Jr.

Chairman of the Brighton Fire District

cc Larry Howk, Treasurer

Ted Aroesty, Executive Director

Michele Fitch, Business Manager

Appendix B: OSC Comments on the District's Response

Note 1

Our audit objective focused on whether District officials ensured non-payroll disbursements were appropriately procured, properly approved, adequately supported and for District purposes. We did not audit the other operational areas and, therefore, the audit report cannot state that there were no findings in those areas.

Note 2

District officials did not maintain documentation that they compared the GPO's process to NYS bidding requirements to ensure that the purchase met the requirements for an exception. The GPO's allowance of unpublished (un-bid) options is not sufficient to demonstrate compliance with NYS bidding requirements. Further, District officials did not address the attorney's written concerns that purchases through the GPO would not fully comply with NYS bidding statutes, to the extent that contracts included unpublished (un-bid) options.

Note 3

Any exception to the normal procurement process should have documented explanations. Our report did not specifically criticize the date of the purchase order for repairs to the backup generator, but addressed the lack of a documented explanation of why the purchase was made before obtaining an approved purchase order.

Note 4

We have expertise in understanding and analyzing internal controls and reviewing many types of procurement systems. It is incumbent upon District officials to explain and document that transactions were handled properly and in the best interests of taxpayers. Our recommendations will aid District officials in improving the system they have in place.

Note 5

Significant time has elapsed since the previous OSC audit. Our current findings reflect District operations, practices, and available documentation for the more recent period reviewed.

Note 6

District officials did not maintain or provide documentation to support that travel met their policy requirement of using the most reasonable and cost effective means available. For perspective, we calculated savings that may have been achieved if GSA rates were available and used.

Note 7

The District has a cell phone policy that outlines what cell phone costs the District will cover for authorized individuals. Any deviations from Board policy should be approved by the Board.

Note 8

We made no such assumption and, in fact, informed readers that we addressed the same control issues with District officials during our prior audit. While District officials did not list their existing mitigating controls and layers of review, the controls we were made aware of were not sufficient to mitigate the software limitations. For example, while the Board approved claims for payment, checks were printed after approval and were not available for review with the claims. Additionally, checks were generally signed by the Treasurer, who had full access to the financial software. Furthermore, as we noted in the report, the Chairman reviewed bank statements with canceled check images. However, the software limitations increase the risk of inappropriate disbursements, which could be further mitigated by independent review of available audit logs. The District's corrective action plan to the previous audit stated that the Chairman would review the audit log quarterly and on random occasions.

Appendix C: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees and reviewed policies and Board minutes to gain an understanding of the non-payroll disbursement, procurement and approval processes.
- We used our professional judgment to select a sample of 97 disbursements totaling \$1.13 million from the 2019 non-payroll disbursements (10 percent of the 924 disbursements and 36 percent of the total \$3.1 million). Disbursements subject to our testing excluded paychecks and disbursements for related withholdings. The sample included 11 disbursements totaling \$1.01 million that appeared to be subject to competitive bidding or procurement policy requirements, large travel reimbursements to employees and a random sample of one month of disbursements (September). We reviewed Board minutes and supporting documentation (such as invoices, bids, RFPs and quotes) to determine whether they had adequate supporting documentation, were in compliance with law and District policy, were approved prior to payment and were for appropriate District purposes.
- Because there were no individual disbursements for professional services over the \$2,500 quote threshold in our original disbursements testing sample of 97 claims, except for three insurance payments totaling \$45,537, we identified the professional service providers paid more than \$2,500 in 2019 and reviewed documentation for competition sought for all 19 providers paid \$769,931 (\$677,217 insurance and \$92,714 non-insurance). We inquired with District officials for explanations for those services without documentation of competition.
- We compared the amounts paid for hotels and meals to the federal GSA per diem rates for the locations in which the costs were incurred and to the travel policy.
- We reviewed the cell phone users from vendor invoices and related policies and employment agreements to verify that phones were provided to authorized officials. We inquired with District officials regarding the former business manager having a District phone.
- We reviewed check numbering and date sequences and followed up on gaps in the numbering sequence (such as voids).

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the 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.

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. We encourage the Board to make the CAP available for public review.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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