

Slate Hill Fire District

Procurement and Claims Processing

DECEMBER 2021



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

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Report Highlights

Slate Hill Fire District

Audit Objective

Determine whether the Slate Hill Fire District's (District) Board ensured that goods and services were procured in accordance with the District's procurement policy and whether claims were adequately supported, and for a valid purpose before payment.

Key Findings

District officials did not always use a competitive process to procure goods and services or ensure claims were properly supported or for valid purposes.

Officials:

- Did not solicit competition for professional services from seven professional service providers totaling \$177,827 or seek competitive bids for goods and services from five vendors totaling \$273,497.
- Did not obtain written quotes for eight purchases totaling \$113,399.
- Paid 113 food and beverage receipts totaling \$3,814 without adequate support to show they were a valid expenditure, including eight alcohol purchases totaling \$121.

Key Recommendations

- Comply with competitive bidding requirements and the District's procurement policy for obtaining quotes and periodically solicit professional services.
- Ensure claims are supported and valid.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the District's response letter.

Background

The District is a corporation of the State, distinct and separate from the Town of Wawayanda in Orange County.

The District is governed by an elected five-member Board of Fire Commissioners (Board), responsible for the general management and control of District financial operations.

An appointed Treasurer acts as the chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds and reporting financial activity to the Board.

Quick Facts

2019 Appropriations	\$725,841
2020 Appropriations	\$750,439
Procurements Reviewed	\$2,323,188
Claims Reviewed	\$266,677

Audit Period

January 1, 2019 – June 30, 2020

Procurement

How Should District Officials Procure Goods and Services?

Fire districts are generally required pursuant to New York State General Municipal Law (GML) to advertise for competitive bids for purchase contracts exceeding \$20,000 and contracts for public work exceeding \$35,000. However, there are exceptions to the competitive bidding requirements. For example, instead of seeking competitive bids, fire districts may use other publicly awarded government contracts, such as those of a county or the New York State Office of General Services (State contract), provided use of such contracts have been extended to the fire district (refer to GML, Sections 103(16 and 104)).

A board of fire commissioners is required by GML to adopt written policies and procedures for procuring goods and services not subject to competitive bidding, such as professional services, to ensure the prudent and economical use of public funds in the district's best interests. The fire district's procurement policy should generally require that alternative proposals or quotes for goods and services be secured by use of written or verbal proposals or quotes.

For example, using a request for proposal process (RFPs) is an effective way to ensure the fire district receives the desired goods or services at the best price. Refer to our publication *Seeking Competition in Procurement* available on our website at www.osc.state.ny.us/files/local-government/publications/pdf/seekingcompetition.pdf. Issuing proposals for professional services (e.g. services rendered by attorneys, engineers and certain other services requiring specialized or technical skills, expertise or knowledge, the exercise of professional judgment or a high degree of creativity) helps ensure the fire district obtains the needed services upon the most favorable terms and conditions and avoids the appearance of partiality when awarding such contracts.

In addition, a fire district, when required by New York State Town Law (Town Law), must use a competitive process at least once every five years when contracting for annual audits. As required by Town Law, Section 181-b, a fire district with revenues of \$400,000 or more must obtain an annual audit of its records by an independent certified public accountant or an independent public accountant.

A fire district's procurement policy may set forth circumstances when, or types of procurements for which, in the fire district's sole discretion, the solicitation of alternative proposals or quotes will not be in the fire district's best interest. Using a competitive method, such as an RFP process, can help ensure that the fire district obtain needed qualified services upon the most favorable terms and conditions, and in the best interest of the taxpayers.

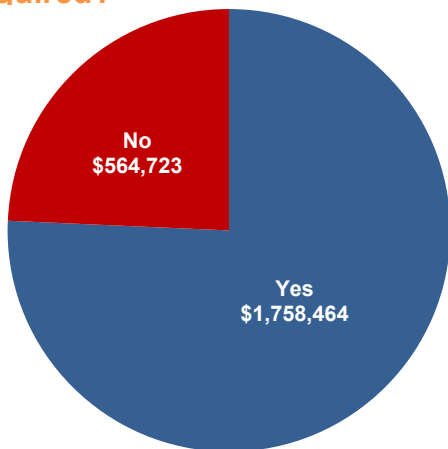
Exceptions to soliciting competition should be limited and be set forth only when properly justified in the public interest. Otherwise, the effectiveness of the procurement policy and its procedures will be diminished. Fire district officials should develop detailed procedures that are appropriate for the size and complexity of its operations.

[U]sing a request for proposal process (RFPs) is an effective way to ensure the fire district receives the desired goods or services at the best price.

Officials Did Not Always Seek Competition for Purchases of Goods and Services

FIGURE 1

Was Competition Sought When Required?



District officials did not always seek competition for professional services, including audit services, solicit bids for purchases subject to competitive bidding or obtain quotes, as required by the District's procurement policy (Figure 1).

Professional Services – The District's procurement policy states:

- In its sole discretion, the District reserves the right to determine when the solicitation of alternative proposals or quotes will not be in the best

interest of the District for a particular type of purchase or procurement.

- It may not be in the District's best interests to solicit quotes or document the basis for not accepting the lowest bid when procuring professional services, and, hence, under its policy may procure professional services without soliciting multiple quotes.

We reviewed payments to seven professional service providers totaling \$177,827 during the audit period. We found that none of the services obtained from these providers were procured by using an RFP or other competitive process. For example, the District paid \$66,988 for insurance and \$23,550 in engineering services during the audit period without any form of competition. In addition, officials did not competitively procure their financial statement audit services every five years, as required.

Although competition is not required by the GML for professional services, the District's failure to solicit competition for professional services may result in obtaining services without the most favorable terms and conditions and may reduce the ability of the District to guard against favoritism, extravagance, fraud and corruption. Further, because officials did not solicit competition, they have less assurance that the rate charged by the provider is the lowest the District could have obtained.

Competitive Bidding – We reviewed payments to all 14 vendors totaling approximately \$1.95 million during our audit period that were subject to competitive bidding. We found that payments to five vendors, totaling \$273,497,

were not bid as required. Moreover, based on the documentation we reviewed none of the exceptions to competitive bidding apply, such as the use of a State or other governmental contract. For example, District officials paid \$46,522 for crushed stone and \$45,600 for painting services that were not competitively bid.

Required Quotes – The District’s procurement policy requires that officials obtain two written quotes or issue RFPs for purchase contracts between \$5,000 and \$9,999 and three written quotes or issue RFPs for purchase contracts between \$10,000 and \$19,999. In addition, the policy requires that officials obtain two written quotes or proposals for contracts for public work between \$5,000 to \$6,999, three written quotes or proposals for public works contracts between \$7,000 and \$34,999 and competitive bidding procedures for contract for public work in excess of \$35,000.

We reviewed 66 payments totaling \$190,454 made to 16 vendors whose total purchases exceeded the procurement policy quote or RFP thresholds. District officials did not obtain quotes, or a proposal as required by the procurement policy for purchases made from eight of these vendors who received payments totaling \$113,399.

Purchases included 19 payments to three of these vendors for similar goods or services. One received 12 payments totaling \$14,492 for fuel, another five payments totaling \$5,187 for structural testing, and a third two payments totaling \$9,800 for painting services. The remaining five vendors received one payment each.

The Board Chairman (Chairman) told us he inquired with other vendors for cost comparison. Also, the Chairman said he believed they obtained the best price without a formal competitive bidding or an RFP process. However, without seeking competition, officials cannot be certain that goods and services are procured in the most economical way, without favoritism and in the best interest of taxpayers.

What Do We Recommend?

District Officials should:

1. Procure professional services by soliciting RFP’s or using another form of competition at reasonable intervals.
2. Submit RFPs for audit services, as required every five years pursuant to the Town Law.
3. Ensure District officials comply with competitive bidding requirements and the District’s procurement policy when making purchases.
4. Obtain written quotes for purchases within the thresholds of their procurement policy.

District officials did not obtain quotes, or a proposal as required by the procurement policy for purchases made from eight of these vendors who received payments totaling \$113,399.

Claims Processing

What Is an Effective Claims Process?

The claims process should entail a thorough and deliberate examination to determine that each claim is a legal obligation and a proper charge against the District. For example, purchases of food generally may be provided only as refreshments for certain activities, such as a drill, a parade or a fire call. In addition, expenditures for alcoholic beverages generally are not proper purposes and sales tax should not be included on a claim.

Moreover, generally, a claim package should contain enough detail and documentation so that the auditing body or official is supplied with sufficient information to make the determination the claim represents a proper and legal charge. Further, each claim should contain sufficient documentation to show that it meets any relevant policy requirements, such as obtaining quotes for procurements below the competitive bidding thresholds.

Approved Claims Lacked Adequate Documentation

The Treasurer provides the Board with an abstract (i.e., list of claims) along with the claims and corresponding documentation each month for its audit and approval. The Board performs a review of each claim before the Treasurer is authorized to make a payment, which is indicated by the Commissioners signatures on the voucher of each corresponding claim.

We reviewed all 574 receipts related to claims for food purchases totaling \$17,099 made during the audit period. We found that 113 receipts totaling \$3,814 did not contain adequate support to show they were a valid expenditure, including eight alcohol purchases totaling \$121.

District officials said all food purchases were for the volunteers either for drills, work detail (e.g., when a volunteer gets the trucks or equipment ready), or in conjunction with a fire call. Therefore, they believed it was appropriate to provide the volunteers with food.

However, not all the purchases were for valid occasions to provide such refreshments and officials were unable to provide documentation to support that the food was purchased for permissible activities. After our review, officials told us the alcohol was inadvertently billed to the District but was purchased by the Wawayanda Fire Company (Company). Had Commissioners properly reviewed the documents the erroneous receipts would not have been approved for reimbursements of alcohol. The Company reimbursed the District for these payments in April 2021, after we brought this issue to officials' attention.

The Board also allowed certain District officials to purchase items using their own funds and then submit a voucher for reimbursement. Because of the

... [O]fficials were unable to provide documentation to support that the food was purchased for permissible activities.

additional risk associated with these types of payments, we reviewed all 104 reimbursements totaling \$127,723 excluding food purchases.

We found the following issues with 24 reimbursements totaling \$17,812:

- Two payments included purchases totaling \$15,350 that circumvented the procurement policy. For example, the Chairman was reimbursed \$6,975 for the purchase of two large industrial fans as part of the new firehouse construction project, which was inconsistent with the District's procurement policy.
- 14 payments were missing \$2,193 in supporting documentation.
- Five payments that included \$155 in sales tax.
- Three payments were missing \$96 in supporting documentation and included \$18 in sales tax.

The Chairman said approving these reimbursements without adequate supporting documentation or that included sales tax was an oversight on the Board's part.

Payments for food along with alcohol that are not supported with sufficient documentation are an improper use of taxpayer funds. When proper documentation is not provided with each claim, there is an increased risk that a claim may not be a legitimate expenditure.

In addition, because payments were made to individuals instead of approved vendors, some paid claims circumvented the procurement policy and included sales tax. Further, there is an increased risk that a claim could be paid for personal instead of District purposes.

What Do We Recommend?

District Officials should:

5. Ensure all food purchases are for allowable situations and properly supported.
6. Ensure all claims contain proper documentation and do not include a reimbursement for sales tax.
7. Review its claims process and limit the reimbursement of personal funds to procure supplies.

Payments for food along with alcohol that are not supported with sufficient documentation are an improper use of taxpayer funds.

Appendix A: Response From District Officials

SLATE HILL FIRE DISTRICT

PO Box 336

Slate Hill NY 10973

NY Office of State Comptroller

November 18, 2021

33 Airport Center Dr, Suite 103

New Windsor NY 12553

Re: Slate Hill Fire District Examination # 2021M-105

Dear Auditors,

This communication represents the response & corrective action plan of the Board of Fire Commissioners to the above captioned report prepared by your office. The Board would note the detailed and extensive work of your staff on this 2 year review. The Board believes that the report reveals that all District purchases were for valid District expenditures approved by the Board.

PROFESSIONAL SERVICES

The RFP for auditing services was not issued on a timely basis and when this was pointed out corrective action was implemented immediately. The low proposal by a qualified CPA was the same firm as in the past but the proposed fee had increased.

The RFP for insurance services was also not issued on a timely basis. The Board will be guided by the recommendation or change the procurement policy with respect to value added insurance services.

An RFP for engineering services was not issued. The fact that this audited period of time was when the District embarked on the construction of a New Fire Station (not a "renovation"). The Fire District does not normally construct Fire Stations and this was an extraordinary event. The Board did consider a proposal by an Architectural firm but did go with a much lower price point provider engineering firm thus saving the Taxpayers tens of thousands of dollars. The proposal was lost during demolition of the old District office.

See Note 1 Page 9

COMPETITIVE BIDS

The District going forward will be guided by the audit findings with respect to bids for goods & services. The Fire District while acting as General Contractor (GC) was remiss on several occasions in not soliciting

competitive bids for goods and services as the construction progressed. Proposals were submitted and a review was made in order to validate the price submitted.

The NFPA has published a report dated July 2019 that the average cost of a new fire station in the US is between \$275-\$400/square foot. Our New Firehouse came in at \$174 per ft. The Commissioners feel that the Taxpayers were well served by the GC activities by the construction committee.

FOOD & BEVERAGE RECEIPTS

The unsupported expenditures for food and beverage were for that period of time corresponding with the construction project. The work detail forms were not filled out during many activities that the Volunteer Firemen participated in. This was an oversight during a very hectic construction time line. Corrective action has been initiated.

Thank you

Michael C Hayes

Chairman

Slate Hill Fire District

Appendix B: OSC Comment on the District's Response

Note 1

We amended our report to refer to a new firehouse construction project instead of a firehouse renovation.

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, we performed the following audit procedures:

- We interviewed District officials and reviewed Board minutes, resolutions and policies to gain an understanding of the procurement and claims processes.
- We requested the Treasurer sort a list of vendors into the following four categories: professional services, public work, reimbursement or purchase of goods and services. We used this sort for our population for each test.
- We reviewed the transaction list for our audit period. We sorted the list for each year by name and check number and eliminated anything that was a payroll check or not a check (i.e. deposits, transfers). For each test, we sorted the list by vendor (based on the category provided by the Treasurer) and calculated a check total. If a vendor was put into more than one category by the Treasurer we reviewed the documents with the payment to determine which category the vendor belonged in. By doing this we were able to calculate the number of vendors and amounts paid to each by check and sort those according to each test.
- Using our sorted transactions list, we identified seven professional service providers with aggregate purchases totaling \$177,827 for our audit period. We reviewed payments made to all seven professional service providers and requested and reviewed the RFP documentation, if any, to determine whether officials sought competition for these services. For those services for which the District did not seek competition, we asked officials why they did not do so.
- Using our sorted list, we identified 14 vendors with aggregate purchases totaling about \$1.95 million for our audit period that were subject to competitive bidding requirements. We reviewed all 14 vendor payments and any supporting documentation for payments made to these vendors to determine whether officials solicited bids for these goods and services and payments were for proper purposes. We also verified the publication for the bid and all documents provided to us in the bid document box.
- Using our sorted list, we identified 143 payments totaling \$418,342 made to 32 vendors that required written quotes. We used our professional judgement to select 16, or 50 percent, of the vendors that required quotes. We reviewed all 66 payments totaling \$190,454 made to these 16 vendors. We reviewed documentation for our sample to determine whether officials obtained quotes or used an acceptable alternative purchasing method and whether payments were for proper purposes. For those services where officials did not obtain quotes, we asked officials why they did not seek or document quotes.

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- We reviewed all 56 payments that included food purchases, which included 574 receipts for food purchases totaling \$17,099. We also reviewed all 104 payments totaling \$127,723 for non-food reimbursements. We reviewed each claim and attached documentation, to determine whether claims were adequately supported, properly authorized, approved before payment and for valid purposes. We also reviewed drill, fire call, work detail, parade and funeral sheets and documented the dates to compare with the food purchases.

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/files/local-government/pdf/regional-directory.pdf

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

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

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

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

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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/files/local-government/publications/pdf/cyber-security-guide.pdf

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

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