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November 2017

Mr. Terry Hall, Chairman
Members of the Board of Fire Commissioners
East Bloomfield Fire District
105 East Main Street
Bloomfield, NY 14469

Report Number: 2017M-154

Dear Chairman Hall 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 East Bloomfield Fire District which addressed the following question:

- Has the Board of Commissioners provided adequate oversight of the District's financial operations to ensure that assets are safeguarded?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. 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 East Bloomfield, in Ontario County. The District's 2017 general fund budget appropriations totaled \$354,594 and are 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 appoints a Secretary/Treasurer. The Secretary/Treasurer¹ acts as the District's chief fiscal officer and is

¹ As of July 1, 2017, the District separated these functions and has both a Secretary and Treasurer.

responsible for receiving and having custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements. The Secretary/Treasurer is also responsible for keeping a complete and accurate record of the proceedings of each Board meeting and all Board-adopted rules and regulations.

We examined the District's financial operations for the period January 1, 2015 through February 23, 2017. We interviewed District officials and reviewed financial records and Board minutes. 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.

Audit Results

The Board is responsible for overseeing the District's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish a system of internal controls, which consists of policies and procedures that ensure transactions are authorized and properly recorded; that financial reports are accurate, reliable and filed in a timely manner; and that the District complies with applicable laws, rules and regulations.

We found that the Board could improve its oversight of the District's financial operations by updating District policies and procedures and then monitoring financial activities more closely to ensure that District personnel are adhering to its policies and procedures. The Board adopted a procurement policy that generally requires purchasers to obtain one quote for purchases that cost up to \$3,000,² two quotes for purchases between \$3,000 and \$5,000 and three quotes for purchases between \$5,000 and \$20,000. The Board appointed a purchasing agent who presents them with purchasing recommendations. However, he does not provide the Board with the required quotes. When we asked the purchasing agent for this information, he stated that he does not retain the documentation.

We found that the District should have obtained multiple quotes in accordance with the purchasing policy for 11 purchases costing between \$3,000 and \$20,000, totaling \$67,365. The New York State Education Department requires that purchasing documentation – including vendor solicitations, price quotations, procurement contract records and justification of vendor selection and price reasonableness - be retained for six years. The fact that Board members have never seen, and the purchasing agent could not provide, any quotes for our review raises question as to whether he obtained quotes as required by the policy. It also points to the Board's lack of proper oversight of the procurement process, which increases the risk that the District has incurred higher costs than necessary at residents' expense.

The District's procurement policy incorrectly exempts the District from seeking competition for professional services, with the exception of its statutorily-required annual audit³ – for which the

² The policy requires one quote for various thresholds up to \$3,000 based on the purchaser and expenditure type.

³ Town Law Section 181-b requires fire districts with revenues over \$300,000 to obtain an annual audit by an independent public accountant, utilizing a competitive request for proposal process, with the resultant audit engagement lasting no longer than five years.

policy appropriately requires a competitive request for proposal (RFP) at least every five years. General Municipal Law requires the District to adopt a policy which requires officials to use competitive procedures to procure all goods and services not statutorily required to be competitively bid, including professional services, to assure the prudent and economical use of public moneys. We found that the District did not seek competition for nine professional service providers, including the annual audit provider,⁴ used during our audit period totaling \$86,221. Therefore, District officials do not have assurance that they obtained the best services for the best possible prices.

We also found that the Board had not established a credit card policy that specifies authorized users, credit limits, types of purchases allowed, any required prior approval and documentation required to support each purchase. Both the Chairman and the purchasing agent have been issued District credit cards. During the audit period, the District made 18 credit card purchases totaling \$7,444. Three of these purchases totaling \$1,413 did not have adequate supporting documentation. District officials told us that these payments were for travel to pick up a new truck, a new computer for the Chief and batteries. Because credit cards can be used almost as easily as cash, paying claims for credit card purchases without adequate supporting documentation or prior approval increases the risk that District officials could make improper purchases and the District could pay for unauthorized items.

The District has not established written information technology (IT) policies or procedures for granting user access rights to the District's computer and financial system. Additionally, the District has not developed formal back-up procedures to ensure that the District's data is properly backed up and secured. Furthermore, the District should adopt an information breach notification policy⁵ that details how District officials would notify individuals whose private information was, or is reasonably believed to have been compromised. Developing and adopting IT policies and procedures provides guidance to District officials for preventing or addressing unforeseen events that could result in disruptions to the District's operations.

The majority of the District's revenues are derived from the District's tax levy and a fire protection agreement with the Town of Canandaigua. The District also collects money for hall rentals. We found that the Board had not adopted written procedures or proper internal controls over the hall rentals. The Chairman told us that residents complete and submit to him a hall rental application and a deposit to be returned after the event. The Chairman stated that he did not accept cash for deposits and that the renters often donated the deposit to the District. However, no hall rental documentation was available and no other District officials had any involvement with or ever saw information related to the hall rental. The Chairman told us that he threw away the applications after the events and retained no other hall rental records. Therefore, District officials would not be able to determine how much rental revenue should have been deposited into the District's account.

After our discussions and prior to the end of field work, the Chairman started a binder to save the applications and began issuing receipts. He also stated that the Board would work on developing a policy. Without adequate controls over rental revenues, such as documented policies and

⁴ The District did have an annual audit as required but did not seek competition in accordance with Town Law 181-b (3).

⁵ While the New York State Technology Law that requires municipalities to adopt an information breach notification policy does not specifically apply to fire districts, it is strongly recommended for all governmental units who maintain sensitive electronic information.

procedures over collecting these moneys, maintaining applications and issuing receipts, the District's revenue from hall rentals is susceptible to loss.

We reviewed all 480 District claims totaling \$569,281 made during the period January 1, 2015 through December 31, 2016 and verified that all 20 voided checks were properly accounted for. We reviewed all⁶ disbursements to determine whether they were adequately supported, for proper District purposes, audited and recorded in the Treasurer's checkbook register. Except for three unsupported credit card payments discussed previously, two checks totaling \$81⁷ and two duplicate payments totaling \$352 paid from the same invoices, we found that disbursements were for proper District purposes. We also found that the Board did not audit and approve four claims prior to payment totaling \$7,698, which were also for District purposes.

Although the disbursements we reviewed were adequately recorded in the Treasurer's check register, the Board should continue to scrutinize the payments and verify the accuracy and adequacy of the support provided prior to approval for payment to ensure they are appropriate District expenditures.

Recommendations

The Board should:

1. Update the procurement policy to clearly require presentation and retention of price quotations or proposals and implement monitoring procedures to ensure that District personnel comply with the procurement policy.
2. Amend the procurement policy to require periodic competitive procedures for selecting professional service providers.
3. Use a competitive request for proposal process (as required by statute) to contract with an independent public accountant for its annual audit.
4. Develop and adopt policies for credit card use and IT.
5. Develop policies and procedures for the collection of hall rental deposits and receipts, which include involvement of more than one individual and retaining records of all receipts.
6. Implement a process to ensure all disbursements are authorized, supported by adequate documentation and are not duplicate payments.
7. Seek reimbursement for the duplicate payments.

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

⁶ Due to turnover in the Treasurer's position (three treasurers in two years) and the Commissioners' concerns about the former Treasurer's recordkeeping and late report filing.

⁷ These payments were made without a voucher and/or invoice.

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 East Bloomfield 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.

The District's response letter includes attachments that support the response letter. Because the District's response letter provides sufficient detail of its actions, we did not include the attachments in Appendix A.

East Bloomfield Fire District

PO BOX 205 – 105 MAIN STREET



BLOOMFIELD, NEW YORK 14489

November 1, 2017

Ms. Gabriel F Deyo

Deputy Comptroller

The Powers Building

16 West Main Street suite 522

Rochester, NY 14614

Dear Ms. Deyo;

This letter is a response to your number 2017M-154r draft report. The board of Fire Commissioners for the East Bloomfield Fire District, is instating new policies to address the concerns in your report. You will find the new proposed polices attached to the end of this letter. These policies will be voted on at our November 20, 2017 meeting.

The Board's new purchasing policy includes the requirement of multiple bids; all bids will be attached to the voucher of the winning bid, then filed. The bidding will include bids for professional services including our annual audit. The District's credit card will only be held by the Lead Chairperson and will be used for preapproved purchase, as noted in the meeting minutes. Any emergency purchases will be done after the Lead Commissioner receives verbal or email approval by the majority (3) of the Board's members. These purchases will be recorded in the minutes of the next Board meeting.

As to the use by District residents of our Community Room: all reservation applications will require a \$25.00 security deposit that will be returned at the end of their event and cleanup of the room. Often the residents choose to donate the deposit money to the Fire District, in that case the resident will be given a receipt for their donation. The Security Deposit will be deposited into the District's general fund account, with a copy of the check and deposit receipt filed in the room rental file. Also the receipt will be forwarded to the District's Treasurer.

Many of these concerns were due to the Board's lack of over sight of two new treasurers that we employed. Both resigned as they felt they could not stay on due to family commitments. As of

August 2017, we have contracted with the Pinsky Law Firm to do our bookkeeping. Since doing so each Commissioner signs all purchase vouchers and the fund transfers. This includes The District Bond payments.

We are currently working with Culligan Water to be reimbursed the \$311.00 double payment made to them.

Terry H. Hall

~~Lead~~ Commissioner

East Bloomfield Fire District