

Johnsonville Fire District

Claims Processing

JANUARY 2018



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

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Report Highlights

Johnsonville Fire District

Audit Objective

Determine whether claims were adequately supported, properly authorized, approved before payment and for valid purposes.

Key Findings

- All 269 claims totaling \$216,953 paid during the audit period were adequately supported and for valid purposes.
- The Board did not approve 80 claims totaling \$101,707. Additionally, the Board did not subsequently approve eight claims totaling \$3,459 that were properly paid in advance of audit.

Key Recommendation

- Ensure the audit and approval of claims for payment is adequately documented.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

Background

The Johnsonville Fire District (District) is a district corporation of the State, distinct and separate from the Towns of Pittstown and Schaghticoke in Rensselaer County.

The District is governed by an elected Board of Commissioners (Board), which is composed of five Commissioners. The Board is responsible for the District's overall financial management and safeguarding its resources.

The elected Treasurer acts as the District's chief fiscal officer and is responsible for receiving, disbursing and accounting for funds; preparing monthly and annual financial reports; and meeting any other reporting requirements.

The District's budget is funded primarily by real property taxes.

Quick Facts

Operating Disbursements for the Audit Period	\$216,953
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Debt Disbursements for the Audit Period	\$242,457
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Audit Period

January 1, 2016 – June 30, 2017

Claims Processing

What Is an Effective Claims Auditing Process?

With limited exceptions,¹ New York State Town Law (Town Law) requires the Board to audit all claims against the District and order the Treasurer to pay the amounts allowed. Effective claims auditing procedures ensure that every claim against the District is subjected to a thorough and deliberate review and contains adequate supporting documentation to determine whether it complies with statutory requirements and District policies, and the amounts claimed represent actual and necessary expenditures. Further, it is important the Board audit and approve claims before payment and the authorization to pay claims is sufficiently documented.

The Board Did Not Always Audit and Approve Claims

The Treasurer provides the Board with an abstract (i.e., list of claims) and the corresponding claims each month for its audit and approval. One Commissioner indicated that the Board performs a deliberate audit of each claim before the Treasurer is authorized to make a payment, which is indicated by the Commissioners' signatures on the cover sheet of each corresponding claim. In addition, the Board authorized the Treasurer to pay certain claims before Board audit and approval, which are to be presented to the Board for audit and approval at the next monthly meeting.

We reviewed all 269 claims paid during the audit period totaling \$216,953 (\$148,192 during 2016 and \$68,761 from January 1 through June 30, 2017)² to determine whether the claims were adequately supported, properly authorized and approved before payment and for valid purposes. Except for minor exceptions which we discussed with District officials, all of the claims were supported by sufficient documentation and for appropriate purposes.

The Board properly audited and approved 181 of these claims. The remaining 88 claims totaling \$105,166 were not audited and approved by a majority of the Board, as required by the Board's policy.³ Two Commissioners audited and approved 86 of these claims. For the remaining two claims (for safety equipment) totaling \$885, one (\$9) was not audited and approved and the other (\$876) was audited and approved by one Commissioner.

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

2 We excluded debt payments totaling \$153,064 in 2016 and \$89,393 from January 1 through June 30, 2017, which do not require separate Board approval before payment.

3 The Board's policy states that the Board (as a whole) shall audit all claims and order payment by the Treasurer in the amounts allowed.

We determined that 80 of these 88 claims totaling \$101,707 included payments for various District-related expenditures, such as insurance and fire equipment. The remaining eight claims totaling \$3,459 were payments for electric utilities authorized to be paid in advance of Board audit but were not subsequently audited and approved by the Board. This occurred because the Board did not follow its claims audit and approval policy.

Although we did not find any material discrepancies, when claims are paid in advance of audit or without adequate Board approval, there is an increased risk that unauthorized claims could be paid and remain undetected.

What Do We Recommend?

The Board should:

1. Ensure all claims are audited and approved for payment.
2. Ensure that all claims paid in advance of audit are subsequently approved at its next meeting.

Appendix A: Response From District Officials

JOHNSONVILLE FIRE DISTRICT
P.O. BOX 113
5 RIVER RD
JOHNSONVILLE, NEW YORK 12094

December 20th 2017

Attn: [REDACTED]
Office of New York State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801

Dear [REDACTED]

The Board of Commissioners of the Johnsonville Fire District acknowledge receipt of a preliminary draft report for your audit of the Johnsonville Fire District for the period of January 1, 2016 through June 30, 2017.

There were 2 claims out of the 269 claims reviewed that were not reviewed according to our policy. The 86 with two signatures were reviewed by a quorum of the board but the third signature was missing on the payment approval side of the form.

Claims are prepared by the Treasurer prior to the monthly meeting. We require an "Official Approval" signature as well as "Approval for Payment" signatures. The 86 claims that had only two signatures on the payment side were reviewed at meetings attended by only three commissioners. This is a quorum and all business including claims processing can be conducted. The Commissioner approving the purchases should also have signed on the payment side. This has been noted by all commissioners and the Treasurer will review all claims for appropriate signatures to assure it does not happen again.

Sincerely,
Board of Commissioners
Johnsonville Fire District

Wayne B. Akin, Chairman

Appendix B: 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 to gain an understanding of the procedures for auditing and approving claims for payment.
- We examined all 269 check disbursements made during our audit period and corresponding claims totaling \$216,953 to determine if they were supported by adequate documentation, audited and approved before payment in accordance with Town Law and were for appropriate purposes.

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.

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.

Appendix C: Resources and Services

Regional Office Directory

http://www.osc.state.ny.us/localgov/regional_directory.pdf

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

<http://www.osc.state.ny.us/localgov/costsavings/index.htm>

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

<http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

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

<http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm>

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

<http://www.osc.state.ny.us/localgov/planbudget/index.htm>

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

<http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf>

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

<http://www.osc.state.ny.us/localgov/finreporting/index.htm>

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

<http://www.osc.state.ny.us/localgov/researchpubs/index.htm>

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

<http://www.osc.state.ny.us/localgov/academy/index.htm>

Contact

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Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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www.osc.state.ny.us/localgov

Local Government and School Accountability Help Line: (866) 321-8503

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