

Greenville Fire District

Fixed Assets

FEBRUARY 2020



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

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Report Highlights

Greenville Fire District

Audit Objective

Determine if District officials had adequate controls to safeguard District assets.

Key Findings

- Although the District purchased fixed assets totaling \$145,398 during our audit period, the District does not have a comprehensive policy or procedures to safeguard fixed assets.
- The District's inventory list did not contain identifiable information for each asset including purchase date, purchase price, date placed in service and useful life. As a result, officials were not aware that equipment in their possession could have been sold or traded in to help offset the cost of new equipment purchases totaling \$124,880.
- Twenty pieces of equipment purchased during the audit period totaling over \$44,000 were not listed on the District's inventory list.

Key Recommendations

The Board should:

- Adopt a comprehensive policy or procedures that include threshold values for recording and tagging assets and the persons responsible for maintaining records and comparing assets on hand to inventory records for discrepancies.
- Maintain up-to-date inventory records that include the purchase date, purchase price, date placed in service, useful life and serial numbers.

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

Background

The Greenville Fire District (District) is a district corporation of the State, distinct and separate from the Town of Greenville in Orange County. The District provides fire protection and community safety for approximately 4,600 residents.

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.

Quick Facts

2018 Budgeted Appropriations	\$349,450
Fixed Assets Purchased During the Audit Period	\$145,398

Audit Period

January 1, 2018 – July 9, 2019

Fixed Assets

How Should District Officials Safeguard Fixed Assets?

Fixed assets such as machinery and equipment represent a significant investment of district resources. District officials are responsible for ensuring that assets are protected from loss and that asset records are adequate and complete. The Board can fulfill this responsibility by adopting a comprehensive fixed asset policy that sets forth the duties, records and control procedures to safeguard assets, including dollar value thresholds for tagging and recording assets and procedures such as affixing an identification tag or decal (asset tag) to each asset identifying district property. The persons or positions responsible for maintaining fixed asset records should be designated and policies should cover the performance of periodic physical inventories of all fixed assets that include comparing assets on hand to detailed inventory records. Officials should investigate any discrepancies between actual and recorded fixed assets.

A fixed asset record should be maintained for each asset that exceeds the minimum value set by the governing board. Sufficient information must be on the record to identify the item, such as a description of the item, including make, model and serial number; the assigned identification number (when appropriate); the purchase date, purchase price, date placed in service and useful life; and the department having custody and the location within the department. Detailed records help establish accountability and allow for the development of additional controls and safeguards.

The Board Did Not Adopt a Comprehensive Policy or Procedures for Fixed Assets

The District purchased fixed assets totaling \$145,398 during our audit period. In 2015, the Board adopted a fixed asset capitalization policy; however, the policy did not address properly safeguarding the assets because its purposes were to establish a uniform policy to comply with federal and State reporting requirements and outline the capitalization of fixed assets. Although the policy set a threshold value of \$5,000 for capitalization and set depreciation guidelines, it did not set threshold values (or minimum costs) for tagging and recording assets or procedures such as affixing an identification tag or decal (asset tag) to each asset to identify District property. Tagging an asset would, for example, give the ability to differentiate between assets after a multiple department fire call and deter improper use. Although the policy did provide for a physical inventory to be conducted at a minimum of once every two years, it did not designate the person or positions responsible for maintaining fixed asset records or for comparing assets on hand to detailed inventory records for discrepancies during physical inventories.

District officials worked on policies and procedures in the order of what they felt was most important; however, they were not aware of the importance of a policy

and procedures for fixed assets. The failure to adopt a policy or procedures increases the risk that assets will not be protected against loss or unauthorized use and that District officials will lack the information necessary to make financial decisions.

The District Does Not Have Adequate or Complete Inventory Records

The District has a vast amount of assets ranging in size and cost that require a detailed inventory list to manage. Although the District has a master asset inventory list, it is not adequate or complete. District officials could not tell us when the inventory list was created or the last time it was updated. The list was inadequate because it did not contain identifiable information for each asset and was not up-to-date. Although the list included the serial numbers of the District's self-contained breathing apparatus (SCBA) equipment, it lacked the purchase dates, purchase prices, dates placed in service and useful lives. The other assets on the list did not include the serial numbers but only the names of the items.

To determine whether assets on the inventory list were in the District's possession, we selected the only assets with identifiable information (25 pieces of SCBA equipment). We located 22 of these assets. The three missing assets were within the sequence of serial numbers of the District's expired SCBA equipment, but could not be located.

To determine whether the inventory list was complete, we selected 20 equipment purchases during the audit period with a combined value of just over \$44,000, which was 30 percent of the equipment purchases during the period of \$145,398. None of the equipment was on the inventory list but we located all 20 items. District officials stated they had assigned the responsibility of updating the inventory list to a number of different members but these members left and that the Captain attempted to update the list but has been unsuccessful.

Furthermore, the inventory list lacks pertinent details to assist District officials with budget preparation or financial decisions. For example, during the audit period District officials made a substantial purchase of larger capacity SCBA equipment totaling \$124,880 or 36 percent of the District's 2018 budget. Because the District did not have adequate detailed records, such as useful life and date of purchase, District officials were not aware that the smaller capacity SCBA equipment assets in their possession were not expired and could have been sold or traded in to the vendor for a credit to offset the cost of the new purchase. Each piece of SCBA equipment ranges in price from hundreds to thousands of dollars and typically has a useful life of 15 years.

District officials stated they were hesitant to surplus the older SCBA equipment and sell it to other fire districts due to liability issues, but did not consider the option of trading in the equipment to the vendor for a credit at the time of the new

purchase. Without detailed and up-to-date fixed asset records, District officials cannot ensure that District assets are protected against loss or unauthorized use or that officials have the essential information for making financial decisions.

What Do We Recommend?

The Board should:

1. Adopt a comprehensive fixed asset policy or procedures that:
 - Establish threshold values (or minimum costs) for tagging and recording assets.
 - Establish procedures such as affixing an identification tag or decal (asset tag) to each asset.
 - Designate the persons or positions responsible for maintaining records.
 - Require the persons or positions to compare assets on hand to inventory records for discrepancies.
2. Ensure District officials maintain adequate, complete and up-to-date inventory records of District assets at or above the threshold values and ensure there is adequate detail in the records such as purchase date, purchase price, date placed in service, useful life and serial numbers.

Appendix A: Response From District Officials

*Town of Greenville Fire District
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February 15, 2020

VIA EMAIL AND REGULAR MAIL

Ms. Lisa Reynolds, Chief Examiner
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ATTN: [REDACTED] Examiner-in-Charge

Dear [REDACTED]

Thank you for your office's correspondence dated January 21, 2020 with preliminary draft findings of audit 2019M-223 (the "Report"). The Report has been reviewed and discussed by the Board of Fire Commissioners of the Greenville Fire District ("Fire District").

We appreciate the professionalism shown by the Comptroller's staff during the several months your office performed the audit of Fire District operations and records. In particular, we are sincerely appreciative and proud of the confirmation that your audit found no indication of any impropriety or misconduct by fire district officials in dealing with public funds. The duration and thoroughness of your office's review of fire district records should provide assurance to fire district residents that all taxpayer dollars are being spent properly.

We note the sole critical focus of the Report is the Fire District's Fixed Asset Capitalization Policy that the Report acknowledges established a proper threshold for the capitalization of fixed assets of the Fire District in compliance with federal and State law. The Report further provides that the Fire District's policy provides for periodic inventorying of assets, but was critical of Fire District's tracking and indexing of self-contained breathing apparatus (SCBA) assets recently removed from active service. The Fire District will use the audit findings and recommendations and consider further refinement to Fire District Fixed Asset Capitalization Policy to include more descriptive procedures for inventory operations.

The Board of Fire Commissioners has carefully considered the draft Report as well as the two recommendations and is prepared to institute the minor procedural adjustments recommended by OSC with regard to inventory documentation.

Very truly yours

Allen Bobb, Chairman
Board of Commissioners
Town of Greenville Fire District

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, our audit procedures included the following:

- We interviewed District officials to gain an understanding of fixed asset processes and procedures.
- We reviewed District policies, procedures and records pertaining to fixed assets. We reviewed Board minutes from January 2018 through July 2019 for information regarding District assets.
- We reviewed all voucher packets from January 2018 through June 2019 for new equipment purchases.
- We performed a walkthrough and documented all SCBA equipment within the District.
- We used our professional judgement to select a sample of 25 of the total SCBA air packs and cylinders on the inventory list and traced them to their physical locations. We selected the first 10 SCBA cylinders starting with serial #ALT and the first 10 SCBA cylinders starting with serial #OK. We also selected the first five SCBA air packs listed on the inventory list.
- We used our professional judgement to select a sample 20 pieces of equipment purchased during our audit period with a combined value of just over \$44,000 for physical verification.

We conducted this performance audit in accordance with GAGAS (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 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 C: Resources and Services

Regional Office Directory

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

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

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

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

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

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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