

# Berkshire Fire District

## District Operations

JUNE 2020



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

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# Report Highlights

## Berkshire Fire District

### Audit Objective

Determine whether District officials used a competitive process to procure goods and services.

Determine whether District officials established adequate controls to safeguard fixed assets.

Determine whether the Treasurer filed the annual update documents (AUDs).

### Key Findings

- Officials did not comply with the District's procurement policy when procuring assets.
- The District could have saved \$3,800 if it had purchased propane at State contract prices.
- The Board did not establish adequate controls to safeguard fixed assets.
- The Treasurer did not submit AUDs, which are required annual financial reports, to our office.

### Key Recommendations

- Comply with District policies and applicable statutes requiring competition when procuring goods and services, and maintain a record of quotes obtained for purchases.
- Establish a comprehensive fixed asset policy to safeguard assets.
- Ensure AUDs are filed in a timely manner.

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 Berkshire Fire District (District) is a district corporation of the State, distinct and separate from the Town of Berkshire in Tioga County. The District provides fire protection and emergency rescue services to approximately 1,400 residents over 45 square miles.

An elected five-member Board of Fire Commissioners (Board) governs the District and is responsible for the District's overall financial management. An elected Treasurer acts as the chief fiscal officer and is responsible for disbursing and accounting for District funds and preparing periodic financial reports.

#### Quick Facts

|   |           |
|---|-----------|
| 2020 Budgeted Appropriations                | \$150,931 |
| Disbursements Paid During Audit Period      | \$184,101 |
| # of Disbursements Paid During Audit Period | 194       |

### Audit Period

January 1, 2018 – September 30, 2019

# Procurement

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## What Are Effective Procurement Practices?

New York State General Municipal Law (GML)<sup>1</sup> requires the Board to adopt written procurement policies and procedures governing all purchases of goods and services that are not subject to competitive bidding. GML allows municipalities to procure goods from contracts bid by other governmental entities, including New York State (State).<sup>2</sup> However, to be able to procure goods and services from the State, District officials often must formally apply to receive State contract pricing through the New York State Office of General Services (OGS).

An effective procurement policy helps ensure that fire district officials purchase goods and services of the desired quality and quantity at the lowest cost in the best interests of district taxpayers. The procurement policy should indicate how officials should purchase goods and services, which can include obtaining verbal and/or written quotes or any other method of procurement that furthers the purpose of GML.

The District's procurement policy requires three or more quotes for purchase and public works contracts above \$1,000 but below competitive bidding thresholds. The policy set bidding requirements at \$10,000 for purchase contracts and \$20,000 for public works contracts.

## Officials Did Not Comply With the District's Procurement Policy

We reviewed 12 payments for purchases of fixed assets totaling \$36,767,<sup>3</sup> which cost more than \$1,000 and were subject to the procurement policy's requirements, and found that District officials did not follow the policy while procuring them, as follows:

- Four purchases totaling \$15,955 did not have any documentation to indicate that quotes were obtained or the rationale for why the vendor was selected. These purchases included fire hoses, a 12-month emergency call dispatch service,<sup>4</sup> vehicle parts and labor paid to an automotive shop for vehicle repairs and maintenance.
- The other eight purchases totaling \$20,812 were made without obtaining three quotes as required by the procurement policy. These purchases included a computer tablet with a protection plan, lights, repair work, parking lot sealcoating and striping, door lock installation, office furniture, an antenna with installation and self-contained breathing apparatus cylinders.

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1 GML, Section 104-b

2 GML, Section 104

3 Refer to Appendix C for further information on our sample selection.

4 When emergency calls are dispatched by radio to the fire hall, this dispatch service automatically records the calls and distributes them to District officials and firefighters through a cell phone app, phone call or text message.

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The Board Chairman told us officials always competitively procured goods and services, but they did not always receive quotes in response. However, these attempts were not documented to support compliance with the procurement policy.

In addition, we examined all 12 of the District's propane purchases totaling \$11,892 made during our audit period and determined that officials procured them from a nongovernmental entity. We compared the cost of these propane purchases to State contract prices and found the District could have saved \$3,805 if it had purchased the propane at State contract prices.

Officials told us they thought they were receiving State contract pricing for propane purchases because they purchased them from a State contract vendor and, therefore, did not obtain quotes. However, because officials did not formally apply to receive the State contract pricing through OGS, the vendor charged the District a higher rate.

Because the Board did not ensure officials complied with the District's procurement policy, it cannot ensure that goods and services were procured in the most economical way and in the best interest of taxpayers.

### **What Do We Recommend?**

District officials should:

1. Comply with the District's purchasing policy and statutes requiring competition when procuring goods and services and maintain adequate records of quotes obtained for purchases.
2. Formally apply to receive State contract pricing through OGS and ensure these purchases are obtained at the proper rate.

# Fixed Asset Accountability

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## How Should Officials Adequately Safeguard District Fixed Assets?

Fixed assets, such as machinery and equipment, represent a significant investment of fire district resources. Boards should adopt a comprehensive fixed asset policy that describes the duties, records and control procedures officials should follow to help safeguard assets. The policy also should include dollar value thresholds for identifying and recording assets for inventory control and financial reporting.

In addition, officials should maintain a comprehensive inventory of District assets, including insurable and noninsurable assets such as machinery, equipment, tools and implements. Officials also should perform periodic physical inventories to determine whether all District assets are secure and update the inventory records. Officials should investigate any discrepancies between the actual and recorded fixed assets that are discovered during the physical inventories.

## District Officials Did Not Adequately Safeguard Fixed Assets

The District did not have a fixed asset policy or a comprehensive inventory of all District assets located in the fire hall building. Although District officials had three fire apparatus inventories that listed the assets located on each fire truck in service,<sup>5</sup> officials did not have a written inventory of assets located on the District's ambulance. In addition, because officials did not develop procedures to identify who should verify and update these inventories, they were not updated regularly.

We reviewed 19 of 158 items<sup>6</sup> listed on two of the fire apparatus inventories and found that all items were present and in good order. We also reviewed 10 fixed assets totaling \$21,556<sup>7</sup> purchased during our audit period and located nine at the District. According to officials, a firefighter had the remaining asset, a helmet.

In addition, we found that all six vehicles listed on the District's insurance policy were located at the District, and we verified that two other recently purchased vehicles were present and insured. Because the District did not have adequate controls over its insurable and noninsurable assets, it had an increased risk that its assets could have been damaged, lost, stolen or sold without detection.

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<sup>5</sup> The District had three fire trucks in service with assets stored on them and one fire truck not in service with no assets stored on it.

<sup>6</sup> See *supra*, note 3.

<sup>7</sup> *Ibid.*

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## What Do We Recommend?

The Board should:

3. Establish a comprehensive fixed asset policy to safeguard assets, which includes establishing dollar value thresholds for identifying and recording assets for inventory control and financial reporting.

District officials should:

4. Complete and maintain an inventory of District assets, including insurable and noninsurable assets, and submit the inventory to the Board for review.
5. Periodically reconcile the apparatus inventories to physical assets and provide the reconciliation to the Board for review.

# Annual Financial Report

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## How Should Officials Submit the District's Annual Financial Report?

An annual update document (AUD) is the annual financial report of the District's financial position and results of operations. GML<sup>8</sup> requires the District Treasurer to complete and submit the AUD to our office within 60 days of the end of the District's fiscal year.

District officials can request an AUD filing extension which, if granted, extends the District's filing deadline to 120 days after the end of the fiscal year. The AUD is an important document that allows the Board and the general public to assess the District's financial condition and operations.

## District Officials Did Not File Annual Financial Reports

As of the end of our fieldwork, the Treasurer had not submitted the 2016, 2017 or 2018 AUDs<sup>9</sup> to our office. The Treasurer told us she had been busy with other obligations and had not prioritized filing the AUDs.

District officials were unaware that these AUDs were not submitted to our office. The Board Chairman told us the Board relied on the Treasurer to file the AUDs or report to the Board if they had not been filed.

The AUD is an important fiscal tool that provides the Board with necessary information to monitor District operations and provides other interested parties with a summary of the District's financial activities. Untimely submission of AUDs hinders transparency and could compromise District officials' ability to obtain or maintain financing, if necessary, for upcoming financial needs.

## What Do We Recommend?

The Board should:

6. Ensure the Treasurer files the AUDs in a timely manner.

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<sup>8</sup> GML, Section 30

<sup>9</sup> The filing deadline for the 2019 AUD had not yet passed as of the end of our fieldwork.



# Appendix A: Response From District Officials

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Berkshire Fire District  
PO Box 71  
Berkshire, NY 13736  
607.657.2727 NYS – TDD 711 or (800) 622.1220

May 27, 2020

Office of New York State Comptroller  
Local Government and School Accountability/Binghamton Region  
State office Building, Suite 1702  
44 Hawley Street  
Binghamton, NY 13901-4417

RE: Berkshire Fire District – District Operations  
Audit Report # 2020M-40

Dear Auditors:

This is our response and our corrective action plan to our recent audit. We are in agreement with your findings and recommendations.

Recommendation #1- Comply with the District’s purchasing policy and statutes requiring competition when procuring good and services and maintain adequate records of quotes obtained for purchase.

The Board will make sure that purchasing of goods and services will be followed more closely to the district’s procurement policy. A form was created to use when obtaining verbal quotes and approved by the board May 2020.

Implemented by the Board - ongoing

Recommendation #2 - Formally apply to receive State contract pricing through OGS and ensure these purchases are obtained at the proper rate.

The District did have an OGS # during the time period of your audit. Officials will make sure that they are getting state contract pricing. The District will continue getting their OGS number annually. Now that they have a better understanding of this.

See  
Note 1  
Page 9

Implemented by the Board and Treasurer- ongoing

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Recommendation #3 – Establish a comprehensive fixed asset policy to safeguard assets, which includes establishing dollar value threshold for identifying and recording assets for inventory control and financial reporting.

The District will create a policy to safeguard their assets.

Implemented by the Board. By August 31, 2020.

Recommendation # 4 – Complete and maintain an inventory of Districts assets, including insurable and non-insurable assets, and submit the inventory to the board for review.

The District will complete a more thorough inventory of assets.

Implemented by the Board – ongoing

Recommendation #5 – Periodically reconcile the apparatus inventories to physical assets and provide the reconciliation to the Board for review.

Inventory of the District assets will be completed more often than it has been.

Implemented by the Board – ongoing

Recommendation #6 – Ensure the Treasurer files the AUDs in a timely manner. AUDs will be completed in a timelier manner.

Implemented by the Board and Treasurer – ongoing

Thank you for allowing us to send our response and corrective action plan all at once.

Sincerely,

Signed: \_\_\_\_\_  
William Morris  
Chairman, Berkshire Fire District

Date: 27/May/2020

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## Appendix B: OSC Comment on the District's Response

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### Note 1

District officials had an OGS Customer ID number during our audit period. However, they did not know how to use it to formally apply for State contract pricing. We explained to District officials the need to formally apply for State contract pricing during our audit fieldwork.

## Appendix C: Audit Methodology and Standards

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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 objectives and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Board minutes and policies to gain an understanding of operations, internal controls over assets, purchasing activities and oversight of the Treasurer's duties.
- We used our professional judgment to select all 12 purchases totaling \$36,767 made during our audit period that were greater than \$1,000 and subject to the District's procurement policy to determine whether District officials complied with the District's procurement policy. We excluded aggregate purchases in excess of \$1,000 that were not subject to the District's procurement policy, including bond payments (\$63,711), insurance payments (\$29,790), payroll-related payments (\$6,814), diesel fuel purchased from a local municipality (\$3,337), utilities payments (\$2,835) and ambulance services (\$1,108). We also excluded propane purchases totaling \$11,892 made during our audit period from this sample of 12 purchases because we tested the propane purchases separately.
- We compared all 12 propane purchases totaling \$11,892 made during our audit period to State contract prices to calculate the difference in prices and total amount overpaid by the District. We then compared the potential savings to the District's tax cap filings to determine whether District officials could have avoided raising real property taxes above the tax cap.
- We used our professional judgment to review a sample of 19 of 158 items listed on two fire apparatus inventories. We chose the 19 items based on their value and risk of being used for personal purposes and searched for the assets on the respective vehicles to determine whether they were in the District's possession and in good order. The third fire apparatus inventory listed items of lesser value that had a lower risk of being used for personal purposes, which is why we chose not to review the items listed on it.
- Of the 12 purchases made during our audit period that were greater than \$1,000 and subject to the District's procurement policy, five totaling \$20,131 were fixed assets. We reviewed these purchases and used our professional judgment to review an additional five fixed asset purchases totaling \$1,426 made during our audit period that were purchased from vendors that commonly sold fixed assets. We searched for these assets to determine whether they were in the District's possession and interviewed District officials to help determine the location of assets that we were unable to find.

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- We reviewed a list of insured District vehicles and searched for the listed vehicles to determine whether they were in the District's possession. For vehicles that were in the District's possession but not included on the list of insured vehicles, we verified that they were currently insured.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](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

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](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

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf)

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