



Edmeston Fire District

Claims Auditing and Annual Financial Reporting

2024M-116 | December 2024

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Report Highlights

Edmeston Fire District

Audit Objective

Determine whether the Edmeston Fire District (District) Board of Fire Commissioners (Board) properly audited claims and whether the Treasurer filed the required Annual Financial Reports (AFRs) in a timely manner.

Key Findings

The Board did not properly audit all claims, and the Treasurer did not file AFRs in a timely manner. The Board did not:

- Audit and approve all claims before payment and ensure all claims were adequately supported and excluded sales tax.
- Adopt a written procurement policy as required.
- Ensure the Treasurer filed the District's AFRs for fiscal years 2017 through 2023 in a timely manner.

Key Recommendations

- Audit and approve all claims before they are paid by the Treasurer.
- Adopt a written procurement policy as required.
- File the delinquent AFRs with our Office within 60 days of the close of the fiscal year.

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

Audit Period

January 1, 2022 – July 8, 2024. We extended the audit period back to January 1, 2017 and forward to August 5, 2024 to review AFR filings.

Background

The District is located in the Town of Edmeston in Otsego County. The Board consists of five elected members, with one member appointed as Chairperson. The Board is responsible for the District's overall financial management.

The Board-appointed Secretary-Treasurer (Treasurer) is the chief fiscal officer and is responsible for receiving, maintaining custody of, disbursing and accounting for District funds; preparing financial reports; and maintaining Board meeting minutes. The current Treasurer was first appointed in October 2019.

Quick Facts

2024 Budget	
Appropriations	\$158,062
Real Property Tax Levy	\$107,143
Total Disbursements in Audit Period	
Number	374
Dollar Amount	\$436,157
Number of Claims Reviewed	92
Dollar Amount of Claims Reviewed	\$100,809
Number of Purchases Reviewed	12
Dollar Amount of Purchases Reviewed	\$141,133

Claims Auditing

What Is a Proper Claims Audit?

A proper claims audit is a thorough and deliberate examination to determine that a claim is a legal obligation and a proper charge against a fire district. Generally, in accordance with New York State Town Law Section 176(4-a), a fire district board must audit all claims against the fire district before disbursing payments. A board's audit responsibilities include determining, among other things, that a claim:

- Is for a valid and legal purpose,
- Is in compliance with competitive bidding and procurement policy requirements,
- Is mathematically accurate,
- Is sufficiently itemized,
- Does not include sales tax, and
- Is supported by sufficient documentation, such as detailed receipts, invoices and receiving documentation.

New York State General Municipal Law (GML) Section 103 generally requires, among other things, that fire districts advertise for competitive bids for purchase contracts that exceed \$20,000 and public works contracts that exceed \$35,000. GML Section 104-b requires fire districts to adopt a procurement policy governing the procurement of goods and services not subject to competitive bidding requirements.

The Board Did Not Properly Audit All Claims and Did Not Adopt a Procurement Policy

Although the Treasurer performed all of the District's financial duties, as a result of recommendations made by an independent accountant hired in February 2023, the Board implemented the accountant's suggestions including having the Treasurer provide them with a list of the prior month's checks to help perform a proper claims audit on those allowed disbursements made before approval. However, our review of the District's policies and procedures identified some areas for improvement:

Claims – We reviewed 92 disbursements (i.e., claims) totaling \$100,809 (23 percent) of the 374 disbursements totaling \$436,157 during our audit period and found the following deficiencies:

- Seven claims totaling \$2,816 for fuel, oxygen tank refills, gutters and training were not approved by the Board before payment.
- Two claims totaling \$642 for an annual banquet and radios were not supported by sufficient documentation (i.e., vendor invoices).
- 11 claims included \$221 in sales tax.

Other than the sales tax, all disbursements reviewed were for appropriate District purposes. Because the Board did not approve all claims before payment or with adequate support, there is an increased risk that disbursements could be for improper purposes or irregularities could go undetected and uncorrected, including inappropriate payments for sales tax.

Procurement – Although the Board developed a draft procurement policy, it did not adopt a written procurement policy that governs the acquisition of goods and services not subject to competitive bidding requirements. The Chairperson and Treasurer told us they wanted an attorney to review the draft policies before approval but have had difficulty finding a new attorney after the District’s former attorney retired; however, the Board could approve a procurement policy without an attorney’s review. Therefore, District officials did not have guidance on purchasing and could not be assured that they received the best price for purchases of goods and services not subject to competitive bidding requirements.

We reviewed 11 purchases totaling \$113,633, none of which were subject to competitive bidding. We determined that although there was evidence that discussions took place indicating quotes were obtained from different vendors for various goods and services provided, there was no direct written evidence of the quotes or the vendors providing them except for one disbursement for a public works contract (new roof installation for the fire hall), which cost \$24,685. A discussion documented in the Board meeting minutes from April 2022 included the three quotes obtained for this contract, the vendors who provided them and the reason for picking the vendor who did the work. In addition, we examined one additional purchase for a piece of equipment purchased on annual installment payments of \$5,500 for five years, which was not documented as to whether it had been competitively purchased or bid. Based on the purchase price (\$27,500), the equipment was subject to competitive bidding requirements. When the Board does not ensure that appropriate competition is sought before purchases are made, cost savings may be missed, and those increased costs are passed on to the taxpayers.

What Do We Recommend?

The Board should:

1. Audit and approve all claims before they are paid by the Treasurer. The audit should ensure that all claims contain sufficient supporting documentation, such as itemized invoices or receipts, and proof of competitive procurement if needed.
2. Ensure that the District does not pay sales tax on purchases.
3. Adopt a written procurement policy for guidance on purchases not subject to competitive bidding requirements as required, including documentation requirements.

Annual Financial Reports

Why Should the Treasurer Prepare AFRs?

GML Section 30 requires a fire district treasurer to file the fire district’s AFR with the Office of the State Comptroller (OSC) within 60 days of the end of the fire district’s fiscal year. The AFR provides the fire district board, OSC, fire district residents, taxpayers and other interested parties with a transparent tool to monitor and evaluate financial operations.

The Treasurer Is Delinquent in Filing AFRs

The former and current Treasurers did not prepare and file the District’s AFRs in a timely manner for fiscal years 2017 through 2023 (Figure 1). The Chairperson of the Board and Treasurer told us the required AFRs had not been filed because the financial records were disorganized and incomplete. After working to reconstruct the records, in February 2024, the Treasurer filed fiscal years 2017 through 2020. However, as of August 5, 2024, the 2021 through 2023 AFRs remain unfiled and are between 158 and 888 days late. The Chairperson and Treasurer told us the records were prepared and the reports are ready to be filed. When AFRs are not filed, transparency is diminished and the Board, District residents, taxpayers, OSC and other interested parties are denied the ability to assess the District’s financial standing.

Figure 1: Late and/or Unfiled AFRs as of August 5, 2024

Fiscal Year	Filed	Days Late
2017	Yes	2,182
2018	Yes	1,823
2019	Yes	1,459
2020	Yes	1,095
2021	No	888
2022	No	523
2023	No	158

What Do We Recommend?

The Board should:

4. Ensure the Treasurer prepares and files the delinquent AFRs and files subsequent AFRs with OSC within 60 days of the end of the fiscal year.

The Treasurer should:

5. Prepare and file the delinquent AFRs and file subsequent AFRs with OSC within 60 days of the end of the fiscal year.

Appendix A: Response From District Officials

Edmeston Fire District 27-29 East Street, Edmeston NY - December 12, 2024

Claims Auditing and Annual Financial Reporting Report of Examination 2024M-116

Note: This response serves as the Edmeston Fire District's corrective action plan.

Audit Objectives

Determine whether the Edmeston Fire District (District) Board of Fire Commissioners (Board) properly audited claims and whether the Treasurer filed the required Annual Financial Reports (AFRs) timely.

What Do We Recommend?

Claims Auditing

The Board should:

1. *Audit and approve all claims before they are paid by the Treasurer. Such an audit should ensure that all claims contain sufficient supporting documentation, such as itemized invoices or receipts, and proof of competitive procurement if needed.*

Edmeston Fire District Corrective Action to Recommendation #1:

- The board has further strengthened its procedures to make sure that supporting documentation is presented prior to approval such as itemized invoices or receipts, and proof of competitive procurement if needed. Documentation will be attached to the actual purchase orders.
 - Documentation from original sources of purchase is now required in addition to the reimbursement requests via purchase order.
 - The board will approve all claims on the night of the commissioner's monthly meeting.
 - The only exceptions are those claims with prior approval from the Annual Organizational meeting.
 - Those exception claims will subsequently be signed off by a board auditor at the next scheduled commissioner's meeting.
 - A monthly bill audit is reviewed and approved for audit at the monthly meeting.

2. Ensure that the District does not pay sales tax on purchases.

Edmeston Fire District Corrective Action to Recommendation #2:

- Sales tax exempt forms are available in the Chief's office in the Edmeston Firehouse. People procuring items on behalf of the Fire District will be advised to the proper use of them prior to purchase.

3. Adopt a written procurement policy for guidance on purchases not subject to competitive bidding requirements as required, including documentation requirements.

Edmeston Fire District Corrective Action to Recommendation #3:

- On October 10, 2024, at the monthly Commissioner's meeting a procurement policy was presented and approved. Since we did not formally document the policy approval we did a second approval process on December 12, 2024, meeting.

Annual Financial Reports

The Board should:

4. Ensure the Treasurer prepares and files the delinquent AFRs and files subsequent AFRs with OSC within 60 days of the end of the fiscal year.

Edmeston Fire District Corrective Action to Recommendation #4:

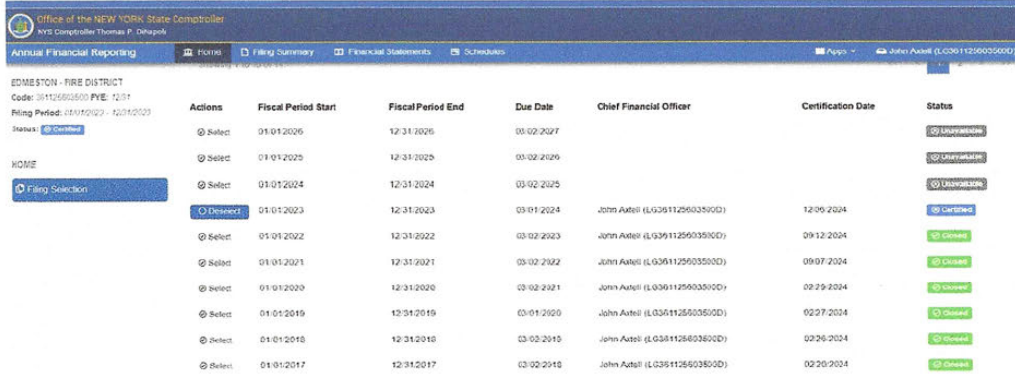
- To ensure timely submission of subsequent years the district has decided to add a reminder to the December monthly meeting minutes for the fiscal year end and then January and February of the following year after the fiscal year closing to make sure of compliance with the 60 days submission.

The Treasurer should:

5. Prepare and file the delinquent AFRs and file subsequent AFRs with OSC within 60 days of the end of the fiscal year.

Edmeston Fire District Corrective Action to Recommendation #5:

- An update at each December, January, and February meeting(s) will be provided by the Treasurer to the Board of Commissioners. This update will be on the status of the Annual Financial Report submission status. Proof of Annual Financial Report submission will be memorialized in the meeting notes and approved through motion by the Commissioners.
- The current treasurer upon notification of the AFR's not being filed started a process of filing the past year's audits in 2024. To date all the annual audits for the years 2017-2023 have been filed with NYS and accepted. All years except 2023 have been approved, 2023 has been certified by EFD treasurer but not closed by the state.



Actions	Fiscal Period Start	Fiscal Period End	Due Date	Chief Financial Officer	Certification Date	Status
Select	01-01-2026	12-31-2026	03-02-2027			Unsubmitted
Select	01-01-2025	12-31-2025	03-02-2026			Unsubmitted
Select	01-01-2024	12-31-2024	03-02-2025			Unsubmitted
Delect	01-01-2023	12-31-2023	03-01-2024	John Axtell (L0361126603500)	12-09-2024	Certified
Select	01-01-2022	12-31-2022	03-02-2023	John Axtell (L0361126603500)	09-12-2024	Closed
Select	01-01-2021	12-31-2021	03-02-2022	John Axtell (L0361126603500)	09-07-2024	Closed
Select	01-01-2020	12-31-2020	03-02-2021	John Axtell (L0361126603500)	09-29-2024	Closed
Select	01-01-2019	12-31-2019	03-01-2020	John Axtell (L0361126603500)	02-27-2024	Closed
Select	01-01-2018	12-31-2018	03-02-2019	John Axtell (L0361126603500)	02-26-2024	Closed
Select	01-01-2017	12-31-2017	03-02-2018	John Axtell (L0361126603500)	02-26-2024	Closed

December 12, 2024

By: Jack Orendorff, Chairperson, Board of Commissioners, Edmeston Fire District

Signature:

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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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objectives and obtain valid audit evidence, included the following:

- We interviewed District officials to gain an understanding of the District's internal controls, claims auditing procedures, financial reports the Board receives and Board-adopted policies.
- We judgmentally selected 92 disbursements (i.e., claims) totaling \$100,809 (23 percent) of the 374 disbursements totaling \$436,157 during the audit period to determine whether they were approved by the Board before payment, were supported by vendor invoices, excluded sales tax and were for appropriate District purposes. Our audit sample was selected on the following basis:
 - A sample of five different months' disbursements were selected including two from 2022, two from 2023 and one from 2024. We judgmentally selected the months based on covering a variety of different months' disbursements in our sample.
 - A sample of disbursements assessed as higher risk for either not being approved before payment or that included reimbursements to officers and fire department members where it had been noted there was a risk of paying sales tax inappropriately or of there not being adequate support.
- We reviewed a sample of 12 purchases totaling \$141,133 to determine whether competition was sought. We selected our sample by selecting purchases exceeding \$3,000 based on our review of claims, Board meeting minutes and monthly financial reports. Eleven of the purchases totaling \$113,633 were not subject to competitive bidding and the remaining purchase totaling \$27,500 was subject to competitive bidding.
- We reviewed AFR filings to determine whether the District had submitted AFRs to our Office within 60 days of the close of its fiscal year.

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 should 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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

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

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