

VESTAL FIRE DISTRICT

Audit of Claims Policy
Adopted: October 9, 2024
Revised: October 30, 2024

Policy #:	102.00
Policy:	Audit of Claims Policy
Effective Date:	October 9, 2024
Authority:	Town Law §§ 176 (4-a) (4-b) (4-c) and 177
Cross-reference:	

POLICY STATEMENT

The Vestal Fire District Board of Fire Commissioner (the Board) is responsible for auditing all claims and vouchers that come before the Board for payment. Town Law §§ 176 (4-a) (4-b) (4-c) and 177. Subject to certain exemptions, before any claim or voucher is paid by the Board, it must authorize and order such claims or vouchers to be paid, only after conducting a process of authorizing such payments. This process is called the auditing of claims.

Since the Board of Fire Commissioners is responsible for the auditing of claims and there is no statutory authority for the Board to create a claims auditing position, the responsibility falls upon the board members. A detailed and effective claims or voucher audit process is an internal control item that the Board of Fire Commissioners must not overlook to ensure the taxpayers that their tax dollars are spent efficiently and will ensure that only proper claims are paid, and the district pays only for authorized goods delivered and authorized services received.

EXEMPTIONS TO PRE-AUDIT PROCESS

Pursuant to statute, certain claims need not be pre-audited nor approved for payment by the Board of Fire Commissioners before they are paid. These are:

- Fixed salaries of employees,
- Compensation for services of officers or employees regularly engaged at agreed wages by the hour, day, week or year,
- Principal of or interest on indebtedness,
- Amounts due on lawful contracts for the purchase of water for fire protection, or
- Amounts required to be paid to the New York State Employees' Retirement System.

Certain claims, where the Board of Fire Commissioners has authorized the pre-payment of the claims prior to audit and that action is reflected in the Board minutes that they have been paid and approved after payment, such as payment of claims for public utility services such as electric, gas, water, sewer and telephone as well as payment of postage, freight and express charges.

Payment from the petty cash fund where properly itemized and verified or certified bills for materials, supplies or services furnished to the fire district for the conduct of its affairs, when the term of the contract calls for payment upon delivery of any such materials or supplies or the rendering of any such services, not exceeding \$250.00.

PRE-AUDIT PROCEDURE – DIRECTOR OF PURCHASING’S RESPONSIBILITIES

When a claim (invoice) is received, the Director of Purchasing will date stamp the claim with the date of receipt. The Director of Purchasing will then make the initial determination as to whether the claim should go to the board members pre-audit, by preliminarily reviewing the claim, assembling all supporting documentation, including any resolution and policies applicable to the claim. For those claims that are received without a voucher, the Director of Purchasing may prepare a voucher and audit sheet for pre-audit by the assigned member of the Board of Fire Commissioners. In the case of an individual making a claim, that individual is required to sign the claim voucher. All claims should be looked at carefully to ensure proper certification or verification. If all claims have the necessary supporting information, the Director of Purchasing will enter the transaction in the accounting system and prepare an audit sheet for audit by the Board of Fire Commissioners.

If the fire district uses a computer system for the recordkeeping of bills and invoices and uses computer software in the audit of claims process. This fire district policy shall be modified accordingly.

If the submitted claim does not comply with this policy, the Director of Purchasing will contact the claimant to ratify any problems. Until corrected the claim should not advance to the commission member pre-audit stage.

Prior to the meeting of the Board of Fire Commissioners, the Director of Purchasing will assemble the claims and prepare an abstract of audit and total sheet for the claims. The Director of Purchasing will reconcile the total sheet to the total of the entries to be paid in the accounting system.

PRE-AUDIT PROCEDURE – ASSIGNED BOARD MEMBER RESPONSIBILITIES

The Board of Fire Commissioners will appoint a board member to pre-audit all claims, or in the alternative assign each commissioner certain claims to audit. This assignment should be rotated on a monthly or bi-monthly basis. The responsibility of this board member is to review the claim package and if the claim is in compliance with this policy, recommend its approval by the full board.

The individual member assigned with the claims auditing responsibility must indicate his or her approval of the claim by signing or initialing each individual voucher packet. The vouchers are presented to the Board for approval and then forwarded to the Treasurer for preparing and signing checks. Attached is a claims audit checklist for use by the Director of Purchasing, Treasurer, commissioner or board member.

After the commissioner in charge of claims auditing has audited the claims, it is advised that the audited documentation be marked to prevent its reuse and retained for a specified period of time, as enumerated in record retention schedules and indexed for FOIL purposes. Date stamping invoices prevent their reuse.

BOARD MEETING

The Director of Purchasing will attach the company billing documents to its claim form, numbering the form in consecutive order, and completing other required information, such as the fund to be charged. The combination of original invoices, receiving slips, other relevant documentation, and the standard claim form (as a cover sheet) is commonly referred to as the voucher or claim

package, and should be kept by the fire district for external audit purposes, FOIL and state archival purposes. In the event the fire district uses computer software and email to circulate the claims to be audited, each file should contain all the necessary information for a computer and comprehensive review of the claim.

Once the board members assigned to the pre-audit review of all vouchers and complete an audit sheet for each voucher, the vouchers are presented to the Board of Fire Commissioners for pay approval.

The Board will review all claims for audit, verifying compliance with this procedure and policy. The Board will then make a resolution ordering the Treasurer to pay the bills audited. The Secretary then signs the Abstract of Audit authorizing the Treasurer to pay the bills. The Treasurer then prepares the payment checks and they are signed by the Treasurer and whomever is authorized to sign checks. The Treasurer then mails the checks to the claimants. All inter-account transfers are to be approved by the Board of Fire Commissioners, prior to payment.

Voucher payments are approved via a resolution at the time the bills are approved for payment. The amount of the approved transfer is included in the Abstract of Audit.

The Board of Fire Commissioners' authorization to pay claims should be documented in the Board minutes and through the preparation of an abstract of audited claims. An abstract is a listing of all claims audited and approved for payment.

PROCEDURE AND CRITERIA

A claim is a demand presented to the Board of Fire Commissioners for the payment of money due for goods that have been delivered or services that have been provided. All claims must be in writing and must contain either a certification or verification. All claims must be properly itemized and provide all the information, including supporting documentation, required for an audit. Since many businesses and vendors use standard invoices, bills, statements, and other forms for billing customers, the fire district will accept a claim presented on a company form provided their form sufficiently itemizes the items purchased or services provided and contains all the necessary information for audit and processing for payment. The claim must contain at a minimum the following information:

- Claim number.
- Claimants' name and address.
- Date goods delivered or services performed.
- Description of materials sold and delivered, or description of services performed.
- Purchase Order Number, if purchase orders are used.
- Quantity of items delivered.
- Total amount owed for each category of goods supplied or services performed.
- Unit price of the good purchased or the services performed.

CRITERIA FOR AUDITING CLAIMS

A claim package should contain enough detailed documentation so that the Board of Fire Commissioners is supplied with enough information to make the following determinations.

THE CLAIM MUST BE FOR A VALID AND LEGAL PURPOSE

Each claim must be for a legitimate purpose of the fire district. The following are not for a legitimate

fire district purpose:

- Gifts.
- Donations to private entities.
- Travel expenses for spouses of officers and employees.
- Personal entertainment expenses.
- Claims for which services or goods were not received.
- Expenses for alcoholic beverages.

DOES THE PURCHASE REQUIRE PRE-AUTHORIZATION OR PRE-APPROVAL?

All required approvals and authorizations should be documented or attached to the claim form. Such examples are

- Traveling expenses – Is there a Board Resolution authorizing the expenditure for travel?
- Chief's authorization is required in advance. Certain expenses require the fire chief's authorization prior to the expenditure.

THE CLAIM MUST HAVE THE PROPER CERTIFICATION OR VERIFICATION

If vendor certification or verification of claims is required, the claim should be scrutinized to ensure proper certification or verification.

THE CLAIM MUST HAVE SUFFICIENT APPROPRIATIONS TO PAY THE CLAIM

No claim may be paid if sufficient budgetary appropriations are not available. In all cases, the availability of appropriations must be verified.

THE CLAIM MUST BE MATHEMATICALLY CORRECT

All claims should be scanned for the reasonableness of mathematical calculations. When extensions (quantities x unit price) and totals do not appear reasonable, the claim should be mathematically verified. Calculations for discounts should also be verified when necessary.

THE CLAIM SHOULD BE UNDERSTANDABLE

The claim must be understandable to someone unfamiliar with the transaction. Information like weight, quantity, size, grade, unit price, and totals should be provided. Part numbers or abbreviations should be supplemented by a full description of the goods or services provided. Claims for multiple deliveries of similar items, such as gas and fuel oil, should be supported by delivery tickets signed by the person accepting delivery.

THE CLAIM MUST MEET THE LEGAL AND POLICY REQUIREMENTS IN RELATION TO COMPETITIVE BIDDING OR, COMPETITIVE OFFERING, AND THE REQUIREMENTS OF THE LOCALITY'S PROCUREMENT POLICY.

Fire districts may elect to award purchase contracts in excess of the monetary threshold based on "best value" (competitive offering), instead of competitive bidding. If the claim is for an expenditure that required competitive bidding or competitive offering, be sure there is documentation available to support that the lowest responsible bidder was awarded the contract, after public advertisement for sealed bids, or that the contract was appropriately awarded on the basis of "best value." The fire district procurement policy generally should establish requirements for obtaining quotations or proposals for procurements of goods and services below the monetary thresholds, and for other procurements that are exempt from bidding requirements, such as professional services.

THE CLAIM EXPENDITURE SHOULD FOLLOW OTHER ADOPTED POLICIES.

In addition to the fire district's procurement policy, there may be other adopted policies that cover specific types of expenses such as travel and conference expenses and reimbursement for meals or other food. Also, the ethics policy should be checked for its relevancy.

IF THE PURCHASE WAS MADE USING A STATE, COUNTY, OR OTHER PERMISSIBLE EXEMPTION TO SOLICITING COMPETITION, DOES THE CLAIM INDICATE SO.

If the purchase was made from a State, county or other government contract that has been extended to fire districts as an exception to the requirements for soliciting competition, the contract number should be included on the claim. The person who approved the purchase should be able to provide a copy of the contract that was used.

THE CLAIM SHOULD BE CHECKED FOR SALES TAX CHARGES.

Fire districts are generally exempt from paying sales tax. Therefore, sales tax should not be included on the claim.

THE CLAIM SHOULD INCLUDE ALL DISCOUNTS THAT THE FIRE DISTRICT IS ENTITLED.

Bulk purchases or early payments may entitle you to receive discounts on purchases.

THE CLAIM SHOULD BE CHECKED FOR DUPLICATE PAYMENTS.

The Board should be assured that the claim is not a duplicate of a previous claim and that current billing does not include the same goods or services included in a prior claim.

ALL ATTACHED DOCUMENTATION SHOULD SUPPORT THE CLAIM.

If there was an approved purchase order (PO), then the PO should match the goods or services on the original invoice and/or the claim form. The original invoice should agree with the total being claimed for payment. The Board should be aware of "past due" amounts unless the original invoices are attached to support the amount claimed as past due.

PROBLEM CLAIMS

If any of the questions above are not answered to the satisfaction of the Director of Purchasing during the pre-audit, during the board member charged with pre-audit or to the Board's satisfaction, then the following action(s) should be taken in most cases, depending on the specific deficiency and the dollar amount involved.

Holding the claim

If original documentation (such as invoices, purchase orders, or receiving slips) is missing, the claim should be held until the supporting documentation is submitted. Take note that if original documentation is not provided, there may be an increased risk that the claim is not legitimate.

RE-COMPUTE THE CLAIM AMOUNT

If the claim presented is mathematically incorrect, confirm the proper amount, correct any mistakes, and only approve the claim for the corrected amount.

REQUEST A MORE DETAILED CLAIM

If the original invoice does not sufficiently itemize the goods purchased or services rendered, the vendor should be requested to furnish a more detailed claim and to educate the vendor on

itemization requirements.

UNSUBSTANTIATED CHARGES

If the claim is for travel or conference expenses and the firefighter or official cannot substantiate that the charges are for actual and necessary expenses, or if charges are not properly authorized or are not in compliance with the fire district's travel or training policies, reduce the claim by the amount of ineligible expenses.

REJECT THE CLAIM OR PART OF THE CLAIM

If the claim is a duplicate or has been partially paid before, reject the entire claim or reduce it to the unpaid amount. Be aware that the submission of photocopies of original invoices may indicate the possibility of a duplicate claim.

Claims generally may be rejected or reduced if they do not meet legal requirements, exceed available appropriations, or, in the case of reimbursement to officers and employees in travel status, are not actual or necessary expenses.

By Order of the Board of Fire Commissioners
Vestal Fire District
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