



Town of East Greenbush Ambulance District Operations

Report of Examination

Period Covered:

January 1, 2008 — October 1, 2009

2010M-43



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2010

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of East Greenbush, entitled Ambulance District Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of East Greenbush (Town) established an ambulance district (District) that encompasses the entire Town to provide ambulance services to Town residents. The Town provides services to approximately 15,500 residents living within the Town's 25 square miles. The Town Board (Board) is the governing body responsible for managing the District, and the Town Supervisor (Supervisor) acts as both the chief executive officer and chief fiscal officer for the District. The Supervisor manages District operations with the assistance of the Town Comptroller who maintains the District's accounting records.

The Board contracts with a separate entity, the W.F. Bruen Emergency Squad, Inc. (Squad), to provide ambulance services for the District. The contracts require the Squad to maintain detailed records of user fees collected and Squad expenditures and to create an annual budget. The Squad must submit this information to the Board each year. Also, the Town authorizes the Squad to bill users and collect user charges for ambulance services on behalf of the District. The District is responsible for providing the Squad with the vehicles that are necessary to provide ambulance services to District residents. The Board also contracts with the Squad for a length of service award program (LOSAP), which provides pension-like benefits for the volunteer ambulance workers. The LOSAP agreement requires the Squad to maintain a record of its volunteers' LOSAP-related activities and submit an annual accounting of the volunteers' activities to the Town.

The District's two primary sources of revenue are real property taxes and user charges. The Town levied real property taxes in the amount of \$498,802 in 2008 and \$442,772 in 2009 for the District. The Squad bills users for services provided, collects user charges on behalf of the District and reports the collections to the Board annually. The Squad reported to the Board that it collected \$409,599 in user charges in 2008 and \$441,820 in 2009.

Scope and Objective

The objective of our audit was to examine the operation and administration of the District for the period January 1, 2008, to October 1, 2009. Our audit addressed the following related questions:

- Does the Town have adequate controls in place to ensure that the provisions of the ambulance service contract are being adhered to, specifically regarding billing for user charges and the ownership and sale of District vehicles?
- Is the District properly administering the LOSAP?

Audit Results

The Town inappropriately abdicated Town responsibilities to the Squad. The Town did not establish a fee schedule outlining the amounts to be billed to individuals who have been transported and/or treated by the Squad, as required by Town Law. Instead, the Town allowed the Squad to develop the rates it billed users. In addition, the Town allowed the Squad to collect and retain \$400,000 of District revenues derived from the user charges in 2008 and expend those moneys without ever remitting them to the Town Comptroller.

The District also inappropriately transferred its ownership of three vehicles to the Squad. According to Town officials, the former Supervisor – who was a member of the Squad – transferred title or sold these three vehicles to the Squad for a nominal amount, such as one dollar, without the Board's knowledge. However, Town officials did not have any records of the transfers.

We also found that the District did not have an adequate system of internal controls in place to ensure that LOSAP service credit was awarded to only those volunteers who earned it. We reviewed the Squad's source documents that recorded the Squad-related activities for 19 volunteer members and determined that none of the 19 individuals actually earned the number of points reported. In addition, only five of the 19 members earned the 50 points necessary to be eligible for one year of LOSAP service credit for 2008. In addition, the Board's inadequate review of the Squad's annual report has caused the third-party administrator to inappropriately credit 14 volunteer members with LOSAP service credit, which has an impact on the amount that the District pays to fund benefits.

Comments of Local Officials

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Introduction

Background

The Town of East Greenbush (Town) established an ambulance district (District) that encompasses the entire Town to provide ambulance services to Town residents. The Town provides ambulance services to approximately 15,500 residents living within the Town's 25 square miles. The Town Board (Board) is the governing body responsible for managing the District, and the Town Supervisor (Supervisor) acts as both the chief executive officer and chief fiscal officer for the District. The Supervisor manages the District's operations with the assistance of the Town Comptroller who is responsible for maintaining the District's accounting records. Because the Supervisor and Town Comptroller function as the District's officials, the District is not a separate entity from the Town, but essentially functions as a Town department.

The Board contracts with a separate entity, the W.F. Bruen Emergency Squad, Inc. (Squad), to provide ambulance services for the Town. In 2008, the Town and Squad entered into a one-year agreement for the Squad to provide ambulance services to Town residents. In 2009, the Town and Squad entered into another ambulance service agreement covering a five-year term from January 1, 2009, through December 31, 2013.

The contracts require the Squad to maintain detailed records of user fees collected and Squad expenditures and create an annual budget. The Squad must submit this information to the Board each year. Also, the Town authorizes the Squad to bill users and collect user charges for ambulance services on behalf of the Town. The Town is responsible for providing the Squad with the vehicles that are necessary to provide ambulance services to Town residents. The Board also contracts with the Squad for a length of service award program (LOSAP), which provides pension-like benefits for the volunteer ambulance workers. The LOSAP agreement requires the Squad to maintain a record of its volunteers' LOSAP-related activities and submit an annual accounting of the volunteers' activities to the Town.

The two primary sources of revenue for the District are real property taxes and user charges. The Town collects the taxes levied for District purposes and pays the Squad monthly for services provided, in accordance with the contract between the Town and Squad. The Squad bills users for services provided, collects user charges on behalf of the District, and reports the collections to the Town annually. The moneys collected are not remitted to the Town, but are retained by the Squad. The Town levied real property taxes for the District totaling \$498,802

in 2008 and \$442,772 in 2009. The Squad reported to the Town that it collected \$409,599 in user charges in 2008 and \$441,820 in 2009.

Objective

The objective of our audit was to examine the Town's operation and administration of the District. Our audit addressed the following related questions:

- Does the Town have adequate controls in place to ensure that the provisions of the ambulance service contract are being adhered to, specifically regarding billing for user charges and the ownership and sale of vehicles used for District purposes?
- Is the Town properly administering the LOSAP?

Scope and Methodology

We examined the financial operations and administration of the District for the period January 1, 2008, to October 1, 2009.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. 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, pursuant to Section 35 of the General Municipal Law. 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 this plan available for public review in the Town Clerk's office.

Rescue Squad Contract

The Board is responsible for managing District operations and establishing a system of internal controls to ensure that the Squad operates within the limits of the applicable laws and contract provisions. Town Law allows the Board to establish a fee schedule for ambulance service user charges to be paid by persons requesting the use of such ambulance services and to provide for the collection of such fees by an entity furnishing the service, such as the Squad. Because the fees are municipal charges and the moneys collected belong to the Town, the Board must ensure that a system of rules and regulations is established to require proper recordkeeping and accounting by the party responsible for the billing and collecting. The law also allows the Board to sell or lease property that is no longer required for District purposes, but it requires that the Town hold a public hearing if the value of the property exceeds \$1,000.

User Charges – Town Law authorized the Board to bill user charges to those who use the Town’s ambulance services. The 2008 and 2009 contracts between the Town and Squad required the Town to develop and adopt a fee schedule outlining the amounts to be billed to individuals who have been transported and/or treated by the Squad. The contracts allow the Squad to bill for user charges in accordance with the fee schedule and require the Squad to submit to the Town an annual accounting of user charges collected. Because the revenues from the user charges are Town moneys the Squad must have adequate internal controls over its financial operations and comply with appropriate recordkeeping and accounting requirements.

We found that the Town did not establish a Town fee schedule, but rather allowed the Squad to develop the rates at which it would bill users. In addition, the Town allowed the Squad to retain District revenues derived from the user charges and expend those moneys without ever remitting them to the Town Comptroller. The Town allowed the Squad to retain custody of and expend more than \$400,000 of District moneys in 2008 and 2009 without any evidence of formal review or approval by Town officials.

Also, the Squad bills and collects fees that are actually Town moneys for services rendered with only a minimal level of internal controls. For example, the contracts did not contain provisions establishing internal controls over the following:

- Billing and collections
- Maintaining adequate accounting records

- Remitting collections to the Town
- Overseeing the billing process to ensure that users were billed appropriately.

As a result of the lack of adequate controls, user charges were not billed in accordance with the provisions of the 2008 or 2009 contracts or Town Law. Although the Town can authorize the Squad to collect user charges, these fees are Town moneys and must be turned over to the Town. The Town should then pay the Squad for services in accordance with contractual requirements.

District Vehicles – The 2009 contract contained a provision relating to the ownership of District vehicles, stating that the District would hold the title to purchased property. Town Law authorizes the Board to sell or lease property, such as vehicles, if they are no longer needed for District purposes. However, if the value of the property exceeds \$1,000, the Board must hold a public hearing before the Town sells or leases it.

We examined the vehicle titles for four vehicles¹ currently in service that were purchased by the District for use by the Squad. The records showed that the two ambulances and the medic truck were no longer owned by the District, but rather by the Squad. According to Town officials, the former Town Supervisor – who was a member of the Squad – transferred title or sold these three vehicles to the Squad for a nominal amount, such as one dollar, without the Board’s knowledge. However, Town officials did not have any records of the transfers.

In addition, the District violated Town Law by transferring the titles of these three vehicles to the Squad while they were still in service. The District did not act in accordance with the provisions of the 2009 contract or Town Law when it transferred these vehicles to the Squad. There was no indication that the Board had authorized the transfers of title or was informed of the transactions prior to their occurrence. Furthermore, although the value of each vehicle was in excess of \$1,000, the Board did not publicly advertise and hold a public hearing prior to the sale of the vehicles.

The Town’s failure to enter into an appropriate contract with the Squad has resulted in the Squad operating as a department of the Town, which it is not. The Squad is a vendor providing service to the Town and should be treated accordingly.

¹ Two ambulances, a rescue truck, and a medic truck

Recommendations

1. The Town should ensure that there are adequate controls in place to ensure the protection of taxpayer moneys that have been collected by the Squad.
2. Town officials should revise the Squad's contract to ensure that all Town moneys are turned over to the Town. The Town should then only pay the Squad amounts that are defined by its contract with the Town.

Length of Service Award Program

The District sponsors and funds a length of service award program (LOSAP) to provide pension-like benefits to ambulance worker volunteers based on their years of qualified service to the community. To receive yearly service credit, each member must accumulate at least 50 points, which are earned by participating in activities defined by General Municipal Law (GML) and the LOSAP agreement between the District and the Squad. For example, volunteers earn points for participating in various Squad activities such as participating in ambulance calls or attending Squad meetings. In general, when program participants reach entitlement age as defined by GML, they could receive a monetary benefit of up to \$20 month for each qualified year of service, with a maximum benefit payable of \$800 a month.

The District is responsible for establishing a system of internal controls over the LOSAP to ensure the prudent use of District moneys. This system of internal controls must include policies, procedures, and controls that ensure that service credit is awarded only to those volunteers who are eligible, in accordance with GML and the LOSAP agreement between the District and Squad. To ensure that only those volunteers who earned 50 points or more are given service credit, District officials must establish standards and procedures for the administration of the LOSAP that, among other things, outline the Squad's documentation of volunteer activities for which the volunteers may earn service credit. The LOSAP agreement requires the Squad to maintain a record of its volunteers' LOSAP-related activities and submit an annual report of the volunteers' activities to the Town. The Board accepts the Squad's report by resolution and submits it to a third-party administrator who performs actuarial computations and submits a bill to the District for the amount needed to fund the program.

The District did not have an adequate system of internal controls in place to ensure that LOSAP service credit was awarded to only those volunteers who earned 50 points or more. District officials did not have written policies or procedures, other than the LOSAP agreement, governing the administration and oversight of the LOSAP. The Squad submits an annual report to the Board that includes the points earned by Squad members, but does not provide a detailed accounting of the volunteers' LOSAP-related activities. Also, the Board did not adequately review the Squad's annual report that provides a record of the volunteers' points earned. Town officials did not review the points reported, or request supporting documentation for the points earned.

We reviewed the Squad's 2008 annual report and found that it was inaccurate and inadequately supported. According to the 2008 annual report, 19 volunteer members earned 50 points or more, making them eligible for one year of LOSAP credit. We reviewed the Squad's source documents that recorded the Squad-related activities for the 19 members and determined that none of the 19 individuals actually earned the number of points reported. Also, only five of the 19 members earned the 50 points necessary to be eligible for one year of LOSAP service credit for 2008.

In addition, the source documents themselves were deficient. For some activities such as Squad meetings, the number of points awarded to volunteers who attended the meetings is based on the duration of the activity. We reviewed the sign-in sheets for 51 Squad meetings and found that for 17 of the 51 sign-in sheets the duration of the meeting was not documented.

Because the Squad did not have adequate internal controls over the LOSAP, it inaccurately recorded and reported service credit for its volunteers. Also, the Board's inadequate review allowed 14 volunteer members to receive LOSAP credit to which they were not entitled. By addressing these areas, District officials can enhance accountability and ensure that eligible volunteers receive appropriate LOSAP credit, which has an impact on the amount that the District pays to fund benefits.

Recommendations

3. District officials should develop and implement policies and procedures for the administration and oversight of its LOSAP to supplement the contract currently in place.
4. The Board should review the points reported as earned by the Squad volunteers and request supporting documentation to substantiate the points earned before submitting the Squad's annual report to the third-party administrator.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

The Town's response refers to an attachment that supports the response letter. Because the Town's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix A.



The Town of East Greenbush

Rick McCabe, Supervisor
225 Columbia Turnpike Rensselaer, New York 12144 (518) 477-4775 FAX (518) 477-2386

October 20, 2010

Karl Smoczynski, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 14203-2510

Re: Ambulance District Audit (2010M-43)

Mr. Smoczynski:

The Town of East Greenbush is in receipt of the Report of Examination for the Town's Ambulance District.

The Town Board agrees with the finding of the report. Over the past several years there have been concerns (see attachment) regarding the proper oversight and controls the Town Board should exercise related to the Town's relationship with Bruen Rescue Squad. In addition, the Town Board has been in the process of making revisions to the Bruen contract during 2010.

The Town Board is committed to implementing all recommendations outlined in the examination to ensure Tax Payer funds will be utilized appropriately.

The Town will submit to your office, within 90 days, its written Corrective Action Plan (CAP) and will immediately begin the process of addressing the recommendations.

If there are any questions, please do not hesitate to let me know.

Thank you for your assistance.

Sincerely,

Rick McCabe
Supervisor
Town of East Greenbush

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls in place to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: the contract between the District and Squad, District records and reports, and District assets. To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed Town officials and staff and the Board's District Liaison, and we reviewed the minutes of the Board's proceedings and Town policies to obtain an understanding of the oversight provided by the Board for all audit areas.
- We interviewed the Town Comptroller, Supervisor, and the Board's District Liaison to gain an understanding of the policies, procedures, and internal controls for all audit areas.
- We reviewed District records and reports and financial statements for adequacy and accuracy.
- We reviewed the LOSAP points for the 19 Squad members who accumulated sufficient points to earn one year of service award program credit. We obtained documentation supporting those points from the Squad, including records of attendance on ambulance calls, at Squad meetings, trainings, and at other Squad functions, and recalculated the points earned for each of the 19 members based on the records provided, GML, and the contract between the Squad and District.
- We reviewed the documentation regarding District vehicle purchases and ownership to determine whether the titles to the District's vehicles were retained by the District and whether any sale or disposal of the vehicles occurred within the limits of Town Law. However, Town officials were unable to provide us with documentation as to the date of the transfers or bills of sale or copies of the original vehicle titles. The only available records were copies of the new titles, which were issued to the Squad.

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.

APPENDIX C

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Steven J. Hancox, Deputy Comptroller

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