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January 2017

Jeff Saperstein, Chairman
Members of the Board of Fire Commissioners
Bayport Fire District
251 Snedecor Avenue
Bayport, NY 11705

Report Number: 2016M-394

Dear Chairman Saperstein and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works to identify areas where fire district officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Bayport Fire District (District) which addressed the following question:

- Has the Board provided adequate oversight of the issuance and use of the District's general purpose credit cards?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Islip in Suffolk County. The District covers 3.7 square miles, maintains one firehouse and provides fire protection and emergency services to approximately 8,900 residents. The District has approximately 117 active volunteer members who responded to 463 alarms in 2015. The District's 2016 general fund budgeted appropriations totaled approximately \$2.1 million and were funded primarily by real property taxes.

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. The Board appoints a Treasurer who is the District's chief fiscal officer and is responsible for paying claims. The Board also appoints a Secretary, who is a Commissioner, who is responsible for keeping a complete and accurate record of the proceedings of each Board meeting and all Board-adopted rules and regulations.

We examined the District's issuance and use of credit cards for the period January 1, 2015 through July 31, 2016. We interviewed District officials to gain an understanding of credit card procedures and reviewed monthly credit card statements and claims for 252 credit card purchases totaling \$60,240 to determine if documentation was included and purchases were proper and necessary. We conducted this performance audit in accordance with 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.

Audit Results

Local governments use credit cards for making purchases over the phone or online or to pay travel costs. The Board should adopt a credit card policy that identifies the authorized users, defines credit limits per user, describes the purchases allowed, outlines the documentation required to support each purchase and addresses the methods to recover moneys from improper use. The policy should prohibit cash advances. The Board should monitor credit card purchases to ensure there is evidence that goods or services have been received and are properly documented and necessary.

The Commissioner who is also the District Secretary provided us with a credit card policy that:

- Authorizes five Commissioners and three chiefs as credit card users;
- Requires the chiefs to use the credit cards only for travel and emergencies;
- Requires the cards to be used only for official District business;
- Requires receipts be submitted with details of all charges;
- Prohibits the purchase of alcohol; and
- Outlines procedures to recover money for improper card use.

However, two other Commissioners were not aware of the policy and there is no record of the Board adopting the policy. The District issued five credit cards to the Commissioners and three to chiefs. However, the District also issued one card to the maintenance mechanic, even though he was not an authorized user. District officials told us that although there is nothing documented in the Board minutes, the Commissioners were aware the mechanic was issued a card.

The Commissioners' and chiefs' credit cards each have a \$10,000 credit limit and the maintenance mechanic's card has a \$5,000 credit limit; the maximum credit limit is \$55,000.¹ Credit limits are not defined in the policy. In addition, the credit card account allows for cash advances of up to \$1,000 per card per day. When we brought this to the attention of District officials, the Treasurer told us he disabled the cash advance feature through the bank's website. Although we did not identify any instances of cash advances during our audit period, because the Treasurer has the ability to reactivate the feature at any time, this does not sufficiently eliminate the risk.

Board Review — Each month a credit card claim packet is prepared that includes a payment voucher, the monthly credit card statement and supporting documentation. Prior to the monthly Board meeting, three or more Commissioners review the claim packet and sign the voucher. At the meeting and prior to payment, the Treasurer reads the vendor names and amounts to the Board, and the claim packets are available if any Commissioner requests to review a claim prior to approving payment. District officials and the maintenance mechanic made 252 credit card purchases totaling \$60,240 during the audit period. We reviewed all 252 purchases and determined that 32 purchases totaling \$4,846, or 13 percent, lacked documentation or were for an improper purpose:

- Thirty-one purchases totaling \$4,823 did not have the receipt of goods or services documented: for example, diesel truck parts totaling \$467.
- Fifteen purchases² totaling \$2,676 did not have itemized receipts or invoices. Instead, the only support was the monthly credit card statement with the vendor and amount listed: for example, an online vendor's claim totaling \$261. District officials told us this was for a printer for the Business Office.
- One purchase totaled \$23 for alcohol. District officials discovered the purchase during their audit of claims and recovered the funds from the individual who made the improper purchase.

District officials told us the Board generally requires documentation verifying the receipt of goods or services and receipts or invoices before approving purchases for payment but could not explain why some purchases were approved without such documentation. Without a comprehensive policy and Board review, the District has limited control over credit cards. As a result, there is an increased risk the District may pay for unauthorized cash withdrawals and goods and services that have not been received or are not proper and necessary District expenditures.

Recommendations

The Board should:

1. Adopt a credit card policy that identifies each authorized user and the authorized credit limits.

¹ There are eight credit cards with a \$10,000 credit limit and one credit card with a \$5,000 credit limit; however, the total credit line for the District is \$55,000.

² These 15 are also included in the 31 purchases in the first bullet.

2. Ensure that the credit card accounts do not allow cash advances.
3. Monitor credit card purchases to ensure the receipt of goods and services is documented and that all purchases are proper and necessary.

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. The Board should make the CAP available for public review in the Secretary's office.

We thank the officials of the Bayport Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

Bayport Fire District

251 SNEDECOR AVENUE
BAYPORT, NEW YORK 11705

ORGANIZED 1926
Phone: 631-472-0641
Fax: 631-472-6385

January 18, 2017

Office of the State Comptroller
Ira McCracken, Chief Examiner
Hauppauge Regional Office
NYS Office Building Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

RE: Report Number: 2016M-394

Dear Mr. McCracken:

This letter is to confirm that the Board of Fire Commissioners of the Bayport Fire District has received the draft audit report from your office dated December 2016. We acknowledge and accept the findings and have no objection to the recommendations.

The Board of Fire Commissioners would like to request your consideration to combine its audit response and the Corrective Action Plan (CAP) into a single document.

The Board has reviewed the recommendations regarding oversight, issuance, and use of the District's general purpose credit cards. The attached CAP was approved by the Board of Fire Commissioners at a meeting held on January 18, 2017.

We would like to thank the Office of State Comptroller's personnel involved in the audit process for their professionalism, thoroughness, and courtesy displayed during the audit. If you have any questions, please do not hesitate to contact this office.

Sincerely,

Jeff Saperstein, Chairman
Board of Fire Commissioners

Bayport Fire District

251 SNEDECOR AVENUE
BAYPORT, NEW YORK 11705

ORGANIZED 1926
Phone: 631-472-0641
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Corrective Action Plan (CAP)

Report Number: 2016M-394

Audit Recommendations:

1. Adopt a credit card policy that identifies each authorized user and the authorized credit limits.
2. Ensure that the credit card accounts do not allow cash advances.
3. Monitor credit card purchases to ensure the receipt of goods/services is documented and that all purchases are proper and necessary.

Corrective Action Plan (CAP):

The Corrective Action Plan was approved by the Board of Fire Commissioners at a meeting on January 18, 2017 and will be implemented by no later than February 28, 2017.

1) Credit Card Policy:

- a. A credit card policy was adopted by the Bayport Fire District at its January 18, 2017 meeting. The policy outlines the purpose and need for the issuance of credit cards to Commissioners, Fire Chiefs, and district personnel approved by the Board. The policy requires each credit card holder to sign a certification accepting the card and acknowledging the adopted credit card policy.
- b. Credit Limits are established in the policy as follows: \$5,000 each card for maintenance personnel, \$10,000 each card for Fire Department Chiefs and Fire District Commissioners.

2) Cash Advances: The adopted Credit Card Policy specifically prohibits cash advances or use of debit cards. The District will request the bank remove the option from the current credit card or select a new bank that does not have provide this option.

3) Monitoring: The Credit Card Policy requires certification that items or services purchased are proper and have been received by the purchaser.

END