

West Albany Fire District

Credit Card Purchases

MARCH 2017



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

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Report Highlights

West Albany Fire District

Audit Objective

Determine whether credit card purchases were approved in advance and related claims included adequate supporting documentation for payment.

Key Findings

- Of the 38 credit card purchases requiring prior approval, 22 (58 percent) totaling \$22,224 were not approved in advance.
- Of the 316 purchases made during our audit period, 169 (53 percent) totaling \$38,478 did not have adequate supporting documentation to indicate they were for proper District purposes.

Key Recommendations

- Ensure that credit card users obtain prior approval for purchases to be made with the District's credit cards.
- Establish a clear and consistent process for staff to follow when obtaining prior approval for credit card purchases, which includes identifying required supporting documentation and designated officials who are authorized to provide approvals.
- Ensure that supporting documentation for credit card purchases is intact prior to approving related claims for payment.

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

Background

The West Albany Fire District (District) is a district corporation of the State, distinct and separate from the Town of Colonie in Albany County.

The District is governed by an elected Board of Commissioners (Board), which is composed of five Commissioners. The Board is responsible for the District's overall financial management and safeguarding its resources.

The Board appoints a Treasurer who acts as the District's chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds; preparing monthly and annual financial reports; and meeting any other reporting requirements. The Treasurer also serves as the Board Secretary.

The District's budget is funded primarily by real property taxes.

Quick Facts

2017 Budgeted Appropriations	\$616,579
2015 Credit Card Purchases	\$58,399
2016 Credit Card Purchases	\$28,835

Audit Period

January 1, 2015 through December 31, 2016

Credit Card Purchases

How Should Officials Control Credit Card Purchases?

Credit cards can be used almost as easily as cash. As a result, District officials should provide appropriate oversight and monitoring for credit card purchases to ensure they are authorized and have adequate supporting documentation. Specifically, officials should adopt a sound credit card policy and ensure staff complies with the policy by monitoring credit card purchases through the District's purchasing and claims processing procedures.

The credit card policy should specify a process and procedures or guidelines to identify those individuals who are authorized to approve credit card purchases and indicate the type of documentation that is required for approval. In addition, the Board and District officials should establish specific claims auditing procedures to ensure that all claims contain adequate supporting documentation and are retained after they have been approved.

The District's credit card policy identifies authorized users and states that District credit cards must be used only for official District business. The policy also states that card purchases in excess of \$500 must be Board pre-approved. Lastly, all credit card purchase receipts must be attached to a District voucher and submitted to the Board for payment approval. Receipts must detail all charges, including the name of the individual who incurred the charge and the reason for and amount of the charge.

Credit Card Purchases Were Not Always Approved In Advance

District officials made 38 credit card purchases during our audit period that required prior approval because they were in excess of \$500. Of those purchases, 22 (58 percent) totaling \$22,224 were not approved in advance by either Board approval or purchase order.¹ Of these, nine totaling almost \$11,500 had purchase orders dated after the purchase was made.

In addition, we identified inconsistencies related to purchase approval documentation for the 16 purchases that were approved. Specifically, they were either approved by the Board, as shown through the official minutes documenting approved motions, or were approved by a Commissioner, as shown by a signature and date on a purchase order.

These discrepancies occurred because although the Board discussed purchases, it did not have written procedures or guidelines to identify individuals authorized to approve credit card purchases or the documentation required before making the purchases.

¹ Purchase orders can be used to help control expenditures by documenting and ensuring that purchases are properly authorized and preapproved.

Credit Card Claims Were Not Always Adequately Supported

The District paid 24 claims totaling \$87,233 during the audit period. However, one paid claim totaling \$9,026 was missing. District officials provided this claim to the District's external auditors, but it had not been returned. As a result, we could not determine the number or purpose of credit card purchases paid by that claim.

The remaining claims totaling \$78,207 were for 316 credit card purchases of which 169 (53 percent) totaling \$38,478 did not have adequate supporting documentation. Specifically, these claims did not have purchase receipts or related documentation. For example, one claim included a charge for \$1,031 for a hose reel without any documentation. The purchase description was handwritten on the printed credit card statement, and the vendor name was not printed on the statement. Another claim included four charges totaling \$3,433 for airfare without any documentation – such as who initiated the purchases and the purpose of the flights – to indicate that they were for legitimate District purposes. We also found that eight food purchases totaling \$551 contained receipts that were not adequately detailed or itemized to indicate they were proper District expenditures.

While receipts were not always available, we were able to determine certain information related to the purchases (e.g., vendor names and brief description of items purchased) and their purpose (e.g., office supplies, software updates and safety lights) from credit card statements, the Treasurer's notes, Board minutes and conversations with District officials. However, the Board approved and the Treasurer paid the claims despite the lack of documentation for the purchases. Additionally, five claims were paid before Board approval. Although we were able to obtain reasonable assurance that the purchases were made for legitimate District purposes, the Board should not have approved payment for the 169 purchases without receipts or other supporting documentation.

These discrepancies occurred because while the Board read claims aloud during meetings, it had not established a specific process for auditing claims that involves verifying whether they were supported.

Purchasing goods or services without required approvals and paying claims for credit card purchases without adequate supporting documentation increases the risk that staff could make improper credit card purchases and the District could pay for unauthorized items.

What Do We Recommend?

The Board should:

1. Ensure that credit card users obtain prior approval for purchases to be made with the District's credit cards, when required.

Eight food purchases totaling \$551 contained receipts that were not adequately detailed or itemized to indicate they were proper District expenditures.

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2. Establish a clear and consistent process for staff to follow when obtaining prior approval for credit card purchases, which includes identifying required supporting documentation and designated officials who are authorized to provide approvals.
 3. Require staff to obtain adequate supporting documentation for credit card purchases and ensure that the documentation is intact prior to approving these claims for payment.

Appendix A: Response From District Officials

WEST ALBANY FIRE DISTRICT

120 Sand Creek Road
Albany, New York 12205
Telephone: (518) 435-0749
Telefax: (518) 435-0749

Lawrence Morrell, Chairman
Board of Fire Commissioners

Daniel Sullivan
Chief Officer

Cheryl Cahill
Secretary-Treasurer

John W. Clark
Counsel

March 21, 2017

Office of the State Comptroller
Division of Local Government & School Accountability
PSU-CAP Submission
110 State Street, 12th Floor
Albany, NY 12236

Reference: Combined Audit Response and Corrective Action Plan (CAP)

Ladies and Gentlemen:

We have received the draft audit report as well as the brochure for response preparation. We find that the audit report provided to us permits a combined response and this letter serves as both the Audit Response and the Corrective Action Plan.

Audit Response:

We are pleased with the Audit and the conduct of the auditor who was courteously informative while reviewing our books and transactions. We were especially pleased to learn during the exit conference that there were no adverse findings in all areas explored with the exception of the credit card issues addressed in the report and in this letter.

Corrective Action Plan

The following information is provided as called for in your Corrective Action Plan template:

Unit Name: West Albany Fire District
Audit Report Title: Credit Card Purchases
Audit Report Number: 2017M-015

The West Albany Fire District agrees with the findings as reported and concurs that the district needs to assure that credit card purchases are approved in advance and that adequate supporting substantiation is in place for review prior to payment of the bill. The Credit Card policy that has been in place since 2008 is being amended to reflect these specific requirements. The new policy is provided with this letter and implements all three of the report's recommendations

We sincerely appreciate the efforts of the audit team from the Comptroller's office.

Respectfully,

Lawrence Morrell, Chairman

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. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials to gain an understanding of internal controls over credit card purchases and payment approval.
- We reviewed the District's policy related to credit card usage.
- We examined all credit card purchases over \$500 for approvals indicated within the Board minutes or purchase orders.
- We examined all claims for credit card payments to determine whether they contained adequate supporting documentation.
- We examined all claims for credit card payments to determine whether unsupported claims were approved for payment.

We conducted this performance audit in accordance with GAGAS, 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.

Samples were not used for testing. Rather, we tested the entire population. We presented information related to the value and/or size of the entire population.

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.

Appendix C: Resources and Services

Regional Office Directory

http://www.osc.state.ny.us/localgov/regional_directory.pdf

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

<http://www.osc.state.ny.us/localgov/costsavings/>

Fiscal Stress Monitoring – Resources for local government officials

experiencing fiscal problems <http://www.osc.state.ny.us/localgov/fiscalmonitoring/>

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

<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 <http://www.osc.state.ny.us/localgov/planbudget/>

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders <http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf>

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller <http://www.osc.state.ny.us/localgov/finreporting/>

Research Reports / Publications – Reports on major policy issues facing local governments and State policy-makers <http://www.osc.state.ny.us/localgov/researchpubs/>

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics <http://www.osc.state.ny.us/localgov/academy/index.htm>

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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

www.osc.state.ny.us/localgov

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

GLENS FALLS REGIONAL OFFICE – Jeffrey P. Leonard, Chief Examiner

One Broad Street Plaza, Glens Falls, New York 12801-4396

Tel: (518) 793-0057 • Fax: (518) 793-5797 • Email: Muni-GlensFalls@osc.state.ny.us

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