

Town of Springfield

Credit Card Purchases

MAY 2021



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

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Report Highlights

Town of Springfield

Audit Objective

Determine whether the Town of Springfield's (Town) Board ensured credit card purchases were adequately supported, for legitimate purposes and approved before payment.

Key Findings

The Town Board (Board) did not ensure credit card purchases were adequately supported, for legitimate purposes or approved before payment.

- Credit card statements were mailed to the prior Supervisor and not provided to the Board or always reconciled with supporting documentation before approval.
- 116 credit card purchases totaling \$18,014 did not have adequate supporting documentation.
- We were unable to determine the appropriateness of an online shopping membership totaling \$420 and were unable to locate a ladder purchased for \$585.
- Credit card reward points worth at least \$1,250 were redeemed during the audit period. We were unable to determine whether these points were redeemed to benefit the Town.

Key Recommendations

- Establish a written credit card policy and avoid unnecessary interest charges or late fees.
- Require adequate supporting documentation and reconcile credit card claims to the credit card statements before approving payment.

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

Background

The Town is located in Otsego County. The Town is governed by an elected five-member Board, which consists of the Town Supervisor (Supervisor) and four Council members. The Board is responsible for the general oversight of operations and finances, which includes establishing policies and auditing claims. The Supervisor serves as the chief executive officer and chief fiscal officer.

During our audit period, the Town had one credit card account with an associated rewards program for which points were accumulated and redeemed. The credit card was issued by the credit card company jointly in the name of a former Supervisor and the Town. This former Supervisor resigned in April 2018. The individual referred to in our report as the "current" Supervisor resigned subsequent to our audit period; a new Supervisor took office in December 2020.

Quick Facts

Credit Card Transactions for the Audit Period

Purchases	\$62,268
Number of Purchases	409
Reward Points Redeemed	125,000
2019 Appropriations	\$1,005,401

Audit Period

November 1, 2012 – October 31, 2019

Credit Card Purchases

In December 2018, the current Supervisor noticed a \$1,051 automatic payment from the Town's general fund checking account to a Town credit card in the prior Supervisor's name. The automatic payment was for credit card charges made by the prior Supervisor in October and November 2018, approximately six months after his resignation.

The current Town Supervisor was unaware of any credit card agreement and the credit card company has not been cooperative, because the current Supervisor's name is not on the account, even though the Town's name is on the account. We subsequently initiated an audit of Town credit card purchases and this was the only credit card account found associated with the Town during our audit period.

How Should the Board Authorize and Control Credit Card Purchases?

A board is responsible for overseeing financial activities and safeguarding resources. Appropriate oversight and monitoring includes establishing policies and procedures to help ensure that credit card transactions are authorized and adequately supported, and are actual and necessary expenditures before the board approves them for payment.

The board should adopt a credit card policy that addresses the specific circumstances under which credit cards may be used, including who is authorized to use them, prior approval(s) needed, dollar limits and types of expenses for which they may be used (e.g., travel expenses) and what documentation must be presented to support the claim submitted for audit. The policy must ensure that supporting documentation for credit card purchases includes enough detail to determine what was purchased and the price charged. In addition, when a town participates in a credit card rewards program, it may obtain additional funds at no additional cost to the town, which would reduce the taxpayers' burden.

An effective claims auditing process ensures that every purchase made with a credit card is subject to an independent, thorough and deliberate review to ensure that proposed payments represent actual and necessary expenditures and are in accordance with town policies. In accordance with New York State Town Law Section 118, no claim shall be paid until audited by the board. To properly audit credit card purchases, the board should review credit card statements and reconcile them with itemized receipts and invoices in a timely manner to avoid unnecessary costs such as interest charges or late fees.

The Board Did Not Authorize or Properly Audit Credit Card Purchases

The Board did not establish any policies and procedures to authorize and control the use of credit cards. Additionally, the Board did not thoroughly review credit card claims before approving them for payment and approved payments based solely on the claims voucher prepared by the purchaser without reviewing the

associated vendor invoice. Further, credit card statements were mailed to the prior Supervisor and not provided to the Board or reconciled with supporting documentation before approval. As a result, the Board could not know whether the purchases were for appropriate purposes.

The former Supervisor issued the Town a \$1,052 personal check on March 14, 2019 for the charges he incurred. While the current Supervisor did not cancel the credit card, he canceled the automatic deductions. A new credit card in the former Supervisor's name (to replace the expired card) was sent to the Town Hall. In addition, Town officials did not open a new credit card in the current Supervisor's name and have not used the credit card since the former Supervisor's November 2018 charges.

Due to the lack of policies, procedures and other controls over credit card purchases, we reviewed all 409 credit card purchases totaling \$62,268 made during the audit period to determine whether purchases were adequately supported, for appropriate purposes and approved before payment.

We found that 116 purchases totaling \$18,014 did not have adequate supporting documentation, such as invoices or receipts detailing the items purchased and prices charged. Of these, 103 totaling \$15,142 did not have a corresponding voucher or other indication of Board approval.

We discussed these undocumented purchases with Town officials and reviewed previous purchases approved by the Board from the same vendors for similar dollar amounts that contained proper supporting documentation to assess their reasonableness. However, due to the lack of documentation to support the business purpose of credit card purchases, we were unable to determine whether all purchases were for appropriate Town purposes. Without adequate policies, procedures and supporting documentation, officials also could not be sure that all purchases were appropriate.

In addition, we found the following:

- 37 purchases totaling \$5,557 were shipped directly to the prior Supervisor's personal residence. We reviewed 10 of these purchases totaling \$2,125, including a computer, printer, storage cabinet, office supplies and cleaning supplies and found that they were for appropriate purposes and shipped to a personal residence for convenience.¹ However, such a practice without appropriate controls could lead to fraud, abuse or misappropriation.
- The Town paid sales taxes totaling \$384 and late fees and interest charges totaling \$69. The Town is exempt from paying sales tax on purchases.

We found that 116 purchases totaling \$18,014 did not have adequate supporting documentation...

¹ We were able to locate each of these items on Town premises. Refer to Appendix B for information on our sampling methodology.

Therefore, any payments of sales tax, as well as late fees and interest charges, are an unnecessary burden for taxpayers.

- Four annual charges totaling \$420 were for an Amazon Prime online shopping membership. We were unable to determine whether there was a reasonable need for the Town to have such a service.

In addition, we reviewed 59 items purchased with the Town's credit card totaling \$17,000 because these items could be used for personal purposes. Items reviewed included refrigerators, television and audio/video equipment, computers, ladders, chairs, tables and various other items. We successfully located each item on Town property, except for a ladder costing \$585.

Further, 125,000 credit card rewards points were redeemed during the audit period; the points had a cash redemption value of \$1,250 or a travel redemption value of \$1,563. We were unable to determine how these points were redeemed.

The lack of written policies and procedures to govern credit card use and adequate reviews of detailed credit card purchases allowed the prior Supervisor to have items shipped to his home address without compensating controls. Although we determined that most of the purchases were for Town purposes, the lack of controls over credit card use increased the risk that purchases could be unauthorized and inappropriate.

What Do We Recommend?

The Board should:

1. Establish a formal written credit card policy which details authorized use, approval process, documentation requirements, receipt verification and relevant reimbursement processes.
2. Require adequate supporting documentation for all credit card purchases.
3. Thoroughly audit credit card claims, ensuring that documentation to support credit card purchases includes itemized invoices before approving claims, and that credit card statements are reconciled to the supporting documentation.
4. Ensure that credit card charges are paid-in-full, on time to avoid unnecessary late fees and interest charges.
5. File all necessary paperwork to recoup all sales tax paid on credit card purchases during the audit period from the New York State Department of Taxation and Finance.

Further, 125,000 credit card rewards points were redeemed ... the points had a cash redemption value of \$1,250 or a travel redemption value of \$1,563.

Appendix A: Response From Town Officials

Town Of Springfield NY

PO Box 176

Springfield Center NY 13468

Location code: 30625

April 3, 2021

Ann Singer

Chief Examiner, Office of State Comptrollers
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, NY 12236

Anne, I am writing this letter to inform you that the **Town of Springfield agrees** with the findings in your report regarding **Springfield's Credit Card Purchases (2020M-138)**. I will send a follow up letter in the next few weeks on how we plan to address and rectify the many prior flaws of previous years. Thank you for your time and understanding on the matter.

Galen Criqui
Town Supervisor
Town of Springfield

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 objective² and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and employees and reviewed policies and procedures to gain an understanding of the credit card purchasing and claims auditing processes.
- We reviewed all credit card claims during the audit period to determine whether claims were adequately supported and/or justified, properly approved and paid on time. We also assessed whether credit card statements were reconciled to claims before payment approval.
- We used our professional judgment to select 59 assets purchased by credit card. We reviewed these purchases to determine whether they were in the Town's possession. We selected assets for our sample based on items that could be used for personal purposes.
- We reviewed credit card statements to determine whether reward points earned on the statements were redeemed for the Town's benefit. In addition, we contacted the credit card company to determine for which purpose the points were redeemed (i.e., cash, gift card, statement credit, travel).

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of 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 the CAP available for public review in the Town Clerk's office.

² We also issued a separate audit report, *Town of Springfield – Supervisor's Records and Reports (2020M-175)*.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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.state.ny.us/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

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

www.osc.state.ny.us/local-government/academy

Contact

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