

Copiague Fire District

Credit Card Purchases

MARCH 2022



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

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Report Highlights

Copiague Fire District

Audit Objective

Determine whether the Board ensured that credit card purchases were necessary, adequately supported and for legitimate District purposes.

Key Findings

- Of 1,174 credit card charges made during our audit period, 753 totaling \$70,458 did not have receipts or invoices attached to the claims.
- Nineteen credit card purchases exceeded the District's travel meal allowance by \$5,047.
- The Board approved 28 charges totaling \$5,786 for refreshments that were in violation of New York State Public Officers Law.
- The Board approved \$1,488 in charges that were not for valid District purposes.

Key Recommendations

- Ensure that credit card charges are adequately supported by sufficient supporting documentation which is attached to each credit card claim.
- Ensure that District officials and employees comply with the District's maximum meal allowance established by District policy.
- Ensure that the Board only approves purchases that are necessary and valid expenditures.

Except as indicated in Appendix A, District officials generally agreed with the findings in our report. Appendix B includes our comments on certain issues District officials raised in their response.

Background

The Copiague Fire District (District) is located in the Town of Babylon in Suffolk County. The District is governed by an elected five-member Board of Fire Commissioners (Board) responsible for the District's overall financial management and safeguarding its resources.

The Board hired a District Manager who oversees the day-to-day operations. The Board is responsible for auditing all District claims, including credit card charges.

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

Quick Facts

2018 Actual Expenditures^a	\$3,520,234
Credit Card Purchases During Audit Period	\$207,977

a) As of April 23, 2019 from the District's unaudited financial reports.

Audit Period

January 1, 2017 – October 31, 2018

Credit Card Purchases

How Should District Officials Monitor Credit Card Purchases?

The Board is responsible for overseeing the District's financial activities and safeguarding resources. To accomplish this, the Board must provide appropriate oversight and monitoring, which includes establishing policies and procedures to help ensure that credit card transactions are authorized and adequately supported. The Board must also ensure that all purchases are necessary and valid expenditures before approving them for payment.

To ensure control over credit cards, the Board should enforce written policies addressing credit card use and the documentation necessary to support purchases made by authorized users. District officials should review and approve credit card statements by reconciling the statement with itemized receipts and invoices.

The District's credit card use policy states that credit cards may be used to procure valid District expenditures. They may not be used to pay personal expenses even though the cardholder intends to reimburse the District. All credit card purchases should be supported by a monthly credit card bill, receipt issued at the time of payment and, if applicable, itemized vendor bills. Additionally, the policy requires that all credit card purchases relating to meals be supported by an itemized bill from the restaurant and a list of personnel in attendance at the restaurant.

The Board also adopted a travel expense policy that specifies the maximum amount allowed for meals is \$20 for breakfast, \$30 for lunch and \$75 for dinner. The authorized amounts are not cumulative. If breakfast or lunch is not taken, the amounts not used are not allowed to be carried over for dinner.

The District's non-travel refreshment policy indicates that no refreshments or meals will be considered a District charge until the Commissioners pre-approve the expenditure or, in special circumstances, ratify an expenditure that was incurred. Approval of the claims voucher will mean that the Board approved the event and expenditure on refreshments. The Board-adopted expense policy states that District funds can only be used for expenses incurred by an official, employee, chief or firefighter.

District Officials Did Not Comply With District Policies Relating to Credit Card Use

District officials did not comply with the District's credit card use policy. The District has three credit card accounts issued by a bank. One credit card has six authorized users, the second has one authorized user and the third has eight authorized users. We tested all 45 credit card claims from these credit cards, which included 1,174 transactions totaling \$207,977¹ during our audit period.

¹ Including negative transactions such as credits or returns.

We reviewed all monthly credit card statements and supporting documentation to determine whether District officials ensured compliance with Board-adopted policies regarding credit card use. Included in the 1,174 transactions reviewed were 296 transactions totaling \$108,192 for travel expenses, from which 98 transactions totaling \$21,496 were for meals purchased while traveling. Additionally, there were 78 transactions totaling \$18,242 for the purchase of non-travel related meals and refreshments.

The Board approved 838 transactions (about 71 percent) totaling \$83,244 (39 percent) that were not in compliance with District policy (Figure 1).

Figure 1: Credit Card Purchases Exceptions

	Number of Transactions	Transaction Amounts
No Receipts	753	\$70,458
No Itemized Receipts	8	465
Non-District Related Charges	30	1,488 ^a
Meals Exceeding Daily Allowance	19	5,047
Non-Travel Refreshments	28	5,786
Total	838	\$83,244

a) The 30 transactions totaled \$3,698. From this amount, \$1,488 was not for valid District purposes

Credit Card Purchases Not Properly Supported – We found 753 purchases totaling \$70,458 did not have any receipts included with the claims packets but were still approved for payment by the Board. These transactions included 525 charges totaling \$12,138 for gym memberships for District members and employees. They also included six transactions totaling \$2,534 for airline tickets to travel to various conferences and nine transactions totaling \$10,109 for hotel lodging during conferences. Additionally, we identified eight charges totaling \$465 that had receipts that were not itemized. For example, \$100 was charged at a diner and approved by the Board without an itemized receipt and a list of attendees.

District officials told us that they would reach out to vendors for copies of the missing documentation. Officials then provided us with receipts to support 101 transactions, totaling \$35,739, and statements for gym memberships to support 508 transactions, totaling \$11,791. They indicated that in some instances, receipts were not attached to the claim vouchers because they were located in different folders. Although the gym statements may have been in folders, there is no evidence they were available at the time the claims were audited and approved. Further, the earliest statement date for gym transactions provided to us was August 2018, which covered transactions from December 2017 through August 2018 (up to eight months after the transaction occurred).

It is essential that all purchases are supported by itemized receipts so the Board can be assured they are appropriate District expenditures when approving them for payment.

Non-District Purchases – The Board approved 30 charges totaling \$1,488 that were not District-related charges. Those charges included \$50 for a wholesale club membership renewal fee charged in error in August 2017 by the current Chairman of the Board, who was a Commissioner at the time. Once we brought this to his attention, the Chairman reimbursed the District in March 2019. The charges also included \$38 for a case and cover for a smart watch. The District Manager acknowledged that this was his purchase and he should have reimbursed the District. However, the District’s credit card use policy states that the District’s credit card should not be used to pay for personal expenses even if the individual intends to refund the District.

We also found five credit card charges totaling \$813, paid for lodging in New Jersey, which could not be linked to a District event. After meeting with four Commissioners and the District Manager, we received a letter from a Fire Department stating that the District attended a Cold Water and Ice Rescue Familiarization class at its fire department in New Jersey in February 2018. However, District officials informed us that this trip was intended to be paid for from a Department fundraiser. During fieldwork, in March 2019, the District received reimbursement from the Copiague Fire Department for these charges.

We also identified 19 toll charges totaling \$132 that District officials could not provide us with documentation that would make these valid District charges. When District officials are allowed to bypass their policy and procedures, it could lead to abuse of taxpayers’ money.

Meals While in Travel Status – The District’s travel policy requires that all travel for District business be authorized by the Board and such approval must be noted in the official meeting minutes. The District’s travel policy also limits the meal allowance to a maximum daily allowance for individual meals. However, the Board approved 19 purchases totaling \$12,657 that were not in compliance with its policy. Specifically, District officials exceeded the meal allowance by more than \$5,047. For example, there was a charge totaling \$1,524 for dinner at a steakhouse in Indianapolis. The restaurant receipt indicated that the bill was for 14 guests. Since the District had a total of 11 employees who attended the conference, which included members and officials, and the dinner allowance is \$75 per person, the maximum allowance for the meal would be \$825. District officials therefore exceeded the maximum allowance by \$699. Additionally, these meals did not include a list of people in attendance as required by District policy, which could have clarified why 14 meals were charged when only 11 District personnel attended the conference. The Board approved all these claims although they were over the travel allowance. Further, the Board did not pass a

resolution to authorize travel to training and conferences during the audit period as required by District policy.

Non-Travel Refreshments – The Board approved 28 purchases for refreshments or meals totaling \$5,786 that were served at Sunday meetings during the audit period. The meetings were usually held at the District, with refreshments purchased from a local store. In three instances, it was held at a local restaurant. For example, in November 2017, the District purchased refreshments totaling \$450 from a local bagel store to serve at the meeting. District officials told us that these meetings were “workshops” attended by Board members before the official District public meeting. However, a meeting of the Board in which the public is not invited would be in violation of New York State Public Officers Law (PBO) Section 103(a), except during an executive session of the Board. Further, that would not apply to these meetings because an executive session can only be conducted during an open meeting upon the vote of the majority of Board members, according to PBO Section 105. When we brought it to their attention, District officials started advertising for these workshops, starting with the January 2019 meeting. Additionally, while the policy authorizes the purchase of meals at certain meetings, the policy states that these purchases should be approved in advance, or in special circumstances the Board could ratify an expenditure that has occurred. However, it was not the District’s practice to obtain pre-approval or ratify these expenditures. Instead, in every instance, the Board approved the expenditure after it occurred by signing the claim vouchers.

Because the Board, when auditing claims, did not obtain explanations for questionable charges or for lack of adequate documentation the District paid for credit card transactions that were not in compliance with District policies.

What Do We Recommend?

The Board should:

1. Conduct a thorough audit of claims by ensuring that all credit card charges are adequately supported, necessary and only used for valid District-related charges, as required by District policy, before approving payments.
2. Seek reimbursement for any charges that are not District-related.
3. Ensure that officials and employees comply with the District’s meal allowance policy.
4. Require that employees and officials provide a list of personnel attending meals as required by District policy.
5. Authorize travel to conferences and training for District business as required by District policy.

-
6. Ensure that Board meetings are publicly advertised prior to the meeting.

District officials should:

7. Ensure that sufficient supporting documentation is attached to each credit card claim that is submitted to the Board for approval.
8. Ensure that credit card users include a list of officials and employees in attendance for meal expenditures, along with itemized receipts and documentation for why the meal is necessary.

Appendix A: Response From District Officials



BOARD OF FIRE COMMISSIONERS

Copiague Fire District

320 Great Neck Road
Copiague, New York 11726

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Julian Wellington, Chairman
William Crothers, Jr., Vice-Chairman
Angelo Licata, Commissioner
Richard Sica, Commissioner
Peter Sayevich, Commissioner

VIA REGULAR MAIL AND E-MAIL

Donna Merano, Secretary
Kevin P. Frank, Treasurer
Bobby Annan, District Manager

February 10, 2022

Office of the NY State Comptroller
250 Veterans Memorial Highway, Suite 310
Hauppauge, New York 11788

RE: Copiague Fire District Credit Card Purchases 2019M-098

This communication represents the response and corrective action plan of the Board of Fire Commissioners to the above-captioned report prepared by your office. The Board believes that your two (2) year review of the Fire District's credit card purchases confirm that the purchases were for Fire District purposes. The Fire District has adopted policy changes and implemented many of your recommendations to improve the accountability under and compliance with the Fire District's Credit Card and Travel Policies.

See
Note 1
Page 10

The letter is formatted to address the topics raised in your report.

CREDIT CARD PURCHASES NOT PROPERLY SUPPORTED

The Board of Fire Commissioners and its staff reviewed the credit card bills for the audit period. Most of the missing receipts related to the physical fitness program implemented by the Board of Fire Commissioners. This program was instituted by the Board as recommended by NFPA guidelines to enhance the abilities of the volunteer

firefighters to perform their duties. The Board made a determination that retaining an outside vendor to provide physical fitness training was a more cost effective mode than commencing an in house training program. During the course of the audit, your office was supplied with statements for the gym transactions. A review of the statements confirmed that all of the services provided by the physical fitness vendor were for active volunteer firefighters participating in the District's physical fitness program and thus legitimate Fire District expenditures.

The Board's review of the remaining charges has confirmed that the expenses were for Fire District purposes, except as indicated herein.

The Board has amended its Credit Card policy to task the Fire District Treasurer, Secretary and District Manager to guarantee that the necessary receipts are appended to the credit card bills submitted to the Board of Fire Commissioners for payment.

NON-DISTRICT PURCHASES:

The two (2) small charges mentioned in your report for non-district expenditures have been reimbursed by the Fire District officials involved. All Fire officials and employees have been advised and admonished that Fire District Credit Cards can only be utilized for Fire District purposes and not personal expenses.

The Board of Fire Commissioners has reviewed the information relating to the Cold Water and Ice Rescue Familiarization class mentioned in your report. The review of the class information confirms that the training was a legitimate fire training event. The Fire District does, however, acknowledge that there was not appropriate authorization in the minutes for this training.

The Fire District has implemented a policy which requires the Fire District Manager to review all toll charges to verify that there are valid District charges.

MEALS WHILE IN TRAVEL STATUS:

The Fire District has amended its travel policy to address the criticisms listed in this section of the report. The District travel policy now requires any Fire District official whose meal expenses exceed the meal allowance guidelines to reimburse the Fire District for the amount in excess of the meal allowance guideline in effect at that time.

The additional meals mentioned in your report were for Fire District officials from other Fire entities who were invited to the dinner to discuss Fire District business. The District has added language to its meal policy to document those in attendance and business reasons for inclusion in such occurrences.

Finally, the Board has been documenting, in the minutes, all of the authorized travel for training and conference which includes the names of the Fire Officials and volunteer members authorized to attend the events.

NON-TRAVEL REFRESHMENTS:

Members of the Board of Fire Commissioners would informally gather on the Sunday mornings before the regularly scheduled meetings of the Board to review paperwork pertaining to the meeting. Gradually, these informal gatherings transformed into work sessions due to the increased responsibilities and demands arising from the operation of the Fire District. No formal action was

taken at these work sessions. The Board agrees that the public should have been notified of these work sessions in accordance with the provisions of the Public Officers Law even though no government action was taken at these work sessions. The Board has now included the work sessions in its advertisement of Commissioner meetings to the public as noted in your report.

The expenditure of funds for light refreshments for these work sessions was for non paid public officials who were engaged in the business of managing the Fire District. Although the expenditures for the refreshments were not pre-approved by the Board, they were still legitimate Fire District expenditures.

If there are any additional questions or concerns, please contact the Fire District Secretary at (631) 464-4685.

Respectfully,

Board of Fire Commissioners

Julian D. Wellington
Chairman

Appendix B: OSC Comments on the District's Response

Note 1

Contrary to the Chairman's statement, the audit identified purchases that were not for valid District purposes. We could not determine whether other purchases were for valid District purposes because the records were insufficient to do so.

Appendix C: 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, our audit procedures included the following:

- We interviewed District officials to gain an understanding of internal controls over credit card purchases and travel expenditures.
- We reviewed the District's credit card policy, the travel expense policy and the non-travel expense policy.
- We obtained the District's 45 credit card statements for the period January 1, 2017 through October 31, 2018 and reconciled to the corresponding credit card payments.
- We reviewed all credit card transactions during our audit period to determine the adequacy of supporting documentation, whether meal charges complied with the District's maximum allowance, and whether charges were for valid District purposes.
- To determine whether travel was for a valid District purpose, we reviewed the corresponding minutes of the Board's meeting to determine whether the Board authorized events and requested conference registrations.
- To determine whether toll charges were for a valid District purpose, we requested all statements received by the District from the toll company and interviewed the District Manager.
- To determine whether gym charges were for a valid District purpose, we requested billing statements from the gym and compared them to the District's membership roster.
- To determine whether meals purchased while in travel status complied with the Board-adopted policy for maximum daily meal allowance, we reviewed conference registrations, airline charges for travel to conferences and, if applicable, the number of guests listed on itemized receipts from the restaurants.
- We followed up with District officials to obtain explanations and more information on certain expenditures and claims that were missing supporting documentation.

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.

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. 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 D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

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

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

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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/files/local-government/publications/pdf/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

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