



Fillmore Central School District

Credit Cards and Purchase Cards

2023M-115 | December 2023

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Report Highlights

Fillmore Central School District

Audit Objective

Determine whether Fillmore Central School District (District) credit card and purchase card charges were properly approved, supported and for appropriate purposes.

Key Findings

Although the 230 charges reviewed totaling approximately \$40,000 were for appropriate District purposes, charges were not properly approved or adequately supported. All 230 charges had one or more exceptions that could have led to potentially inappropriate card use, including:

- Approximately \$38,000 in charges were not properly approved prior to the card being used.
- Approximately \$12,000 in charges did not have adequate support to show what was purchased.

District officials also could have saved approximately \$2,200 on travel and sales tax expenses had officials requested and used the lower priced General Services Administrative (GSA) daily lodging rates and did not improperly pay sales tax.

Key Recommendations

- Ensure all credit card and purchase card charges are approved, supported and for appropriate purposes.
- Comply with the District's credit card and purchase card policy and monitor all card charges.

District officials agreed with our findings and indicated they will take, or have taken, corrective action.

Background

The District serves the Towns of Allen, Birdsall, Caneadea, Centerville, Granger, and Hume in Allegany County and the Towns of Genesee Falls and Pike in Wyoming County.

The five-member Board is responsible for the District's general management and control of financial affairs. The Board appointed a claims auditor, who is responsible for ensuring claims are properly supported and meet applicable policy requirements.

The Superintendent of Schools (Superintendent) is the chief executive officer responsible for the District's day-to-day management.

The Business Manager (Manager) oversees the District's business operations including overseeing the use of the District's credit cards and purchase cards and acts as the District's purchasing agent responsible for approving purchases.

Quick Facts

Credit Card and Purchase Card Charges

Dollar Amount	\$40,000
Number of Charges	230

Audit Period

July 1, 2021 – June 5, 2023

Credit Cards and Purchase Cards

A purchase card is similar to a credit card and can be used to make electronic payments for a variety of goods and services as well. However, the account balance must be paid in full each month. The District has two credit cards and two local vendor purchase cards.

What Are Approved, Supported and Appropriate Credit Card and Purchase Card Charges?

An approved, supported and appropriate credit card or purchase card charge is a transaction that, regardless of the form of payment, is for goods and services that serve the purpose of a school district and complies with a school district's written policies. According to District policy:

- A purchase order (PO) must be completed, submitted and approved prior to using credit cards or purchase cards.
- Credit cards and purchase cards can only be used for proper District transactions when a vendor will not accept purchase orders or payment by check.
- After a credit card or purchase card purchase has been made, all supporting documentation, such as purchase requisition forms, original receipts, invoices and packing slips are attached to the PO and submitted for District review and audit prior to payment.

A school board must audit the claims against a school district before they are paid or appoint a claims auditor to assume the school board's powers and duties to audit and approve claims. A proper claims audit ensures every claim including credit card and purchase card transactions are subjected to an independent, thorough and deliberate review to determine that each claim is properly supported by itemized invoices or receipts, and that the goods and services were actually received and for an appropriate school district purpose.

Because credit cards and purchase cards can have a significant available credit limit and they inherently carry a significant fraud risk with their use, it is critical that their activity is monitored, and that District policy is reviewed and updated as needed to reflect any changes that are needed based on practices around actual card use.

Card Charges Were Not Properly Approved or Adequately Supported

We reviewed 230 credit card and purchase card charges during our audit period¹ totaling approximately \$40,000 and determined that charges were not properly approved or adequately supported, and in certain instances, the credit card or

According to District policy, a purchase order (PO) must be completed, submitted and approved prior to using credit cards or purchase cards.

¹ See Appendix B for more information on our sampling methodology.

purchase card, in accordance with District policy, should not have been used. All 230 charges had one or more exceptions, including:

- 191 charges totaling approximately \$38,000 did not have a completed and approved purchase order prior to the card being used. According to the Manager, he did not require the use of a PO for credit card or purchase card transactions but required a credit card authorization form instead. The Manager told us that he preferred the credit card authorization form to a PO, because this form included the name of the vendor where the purchase was made, rather than the credit card company. The remaining 78 charges totaling approximately \$12,000 did not have a signed credit card authorization form, PO, or any other evidence of prior approval as required by District policy. As a result, all 191 charges did not comply with the District's policy. In addition, the Manager overrode and did not enforce compliance with the District's policy. Allowing purchase card users to order goods and services prior to obtaining purchasing agent approval increases the risk for unauthorized or improper purchases.
- 72 charges totaling approximately \$12,000 did not have adequate supporting documentation such as an original receipt attached to the claim packet. The Manager was unable to explain why the charges were paid, considering they lacked adequate supporting documentation. Although we were able to verify these charges were for appropriate District purposes, approving charges for payment without supporting documentation increases the risk that improper charges could be made and not detected and corrected.
- 36 charges included \$370 in sales tax that the District is exempt from paying. The Manager told us that although employees are provided with tax-exempt forms when using credit cards or purchase cards, employees did not follow through at the point of sale to make sure sales tax was not charged. Paying sales tax unnecessarily is a form of wasteful spending that could be easily avoided by requiring employees to comply with District policies and to submit the proper forms when making purchases.
- Five charges totaling approximately \$8,000 were made to vendors that would have accepted a purchase order; therefore, according to the District's policy, the credit card should not have been used. Even though the Manager told us that the credit card was more convenient to use, District policy should have been followed.

Additionally, had the Manager complied with District policy and approved purchases prior to allowing the cards to be used, then he may have had an opportunity to reduce certain travel expenses incurred by District employees using the District credit card. Twenty-eight of the 230 charges totaling approximately \$9,400 were for hotel expenses. The District could have saved approximately \$1,800 on 19 of these hotel charges if officials had requested and used the

General Services Administrative (GSA) daily lodging rates instead of the rates offered by the vendors. The Manager told us that his office routinely checks for hotel rooms at GSA rates but may not use them depending on convenience or if hotels are not offering enough rooms at GSA rates. The Manager could not supply any documentation that his office explored these options prior to booking hotel rooms with the District's credit card and the supporting documentation lacked any explanation for the reason the traveler paid higher lodging rates.

Although all 230 charges reviewed were for an appropriate District purpose, we identified 55 missed opportunities on the District's part to save money. Credit cards and purchase cards provide a convenient method for making small one-time purchases. However, when credit card and purchase card use is not properly controlled and monitored or officials are allowed to circumvent existing policies, there is an increased risk that inappropriate and wasteful spending may occur.

What Do We Recommend?

The Board should:

1. Ensure compliance with its credit card and purchase card policy.
2. Ensure that the Manager monitors credit card and purchase card use and pre-approves all charges.

The Manager should:

3. Ensure that all credit card and purchase card transactions have a completed PO prior to their use as required by District policy.
4. Confirm that all original supporting documentation, including original credit card and purchase card receipts, are maintained and attached to claim packets prior to being presented for review and payment.
5. Require card users to provide vendors with the appropriate tax-exempt forms.
6. Seek sales tax reimbursement from the New York State Department of Taxation and Finance at: https://www.tax.ny.gov/pubs_and_bulls/tg_bulletins/st/how_to_apply_for_a_refund_of_sales_and_use_tax.htm.
7. Only allow the District's credit cards and purchase cards to be used when a vendor will not accept any other form of payment as required by District policy.
8. Thoroughly review travel options, such as alternate lodging locations, that may result in savings for the District and document and maintain support for this process.

The claims auditor should:

9. Ensure that all claims presented for payment contain adequate supporting documentation, such as original receipts, or invoices prior to approving them for payment.

Appendix A: Response From District Officials

November 27, 2023

Subject: Official Response to Audit Report

Dear Office of the State Comptroller's Office:

Fillmore Central School acknowledges receipt of the draft audit report prepared by your office. We extend our gratitude for the diligence and hard work demonstrated by the auditors in reviewing our financial records, specifically "Credit Cards and Purchase Cards" transactions.

We value the recommendations provided and consider it our responsibility to continuously improve, especially in overseeing taxpayer funds. While recognizing our imperfections, we are pleased that no expenditure was deemed inappropriate by the Comptroller's Office.

Since receiving the report, we have taken proactive measures. We reviewed and updated the district's credit card purchase policy to align language with current practices. Additionally, steps have been taken to ensure clear communication and adherence to the credit card purchase process from the initial request to completion as well as prioritizing the maintenance of all supporting documentation regarding credit card purchases.

Financial accountability is paramount to Fillmore CSD, and we remain committed to upholding the highest standards of fiscal management. The steps mentioned will be detailed and submitted in our corrective action plan.

We appreciate your efforts in guiding us toward improvements and assure you of our dedication to maintaining the integrity of taxpayer funds.

Sincerely,

Michael Dodge
Superintendent
Fillmore CSD



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, our audit procedures included the following:

- We interviewed District officials including the Superintendent, Manager, Treasurer and Board members and reviewed written policies and observed practices to gain an understanding of the District's use and monitoring of credit cards and purchase cards.
- We reviewed the District's financial reports and bank statements to identify all credit card and purchase card charges from July 1, 2021 through April 30, 2023. We identified a population of 230 purchases totaling approximately \$40,000. We reviewed all of these charges against the District's written policy requirements to determine whether charges were properly approved, adequately supported, and for appropriate purposes.
- We reviewed supporting documentation for all 230 identified charges to determine whether an approved credit card authorization form put in to practice by the Manager was included.
- We reviewed all 230 identified charges for the inclusion of fees, such as sales tax, that the District is exempt from paying.
- We reviewed all purchases related to travel to determine whether savings for travel expenses could have been achieved by the District.
- We reviewed supporting documentation, such as appointment confirmation emails, for charges associated with fingerprinting services.
- Using our professional judgment, we selected a sample of 10 charges with the highest dollar value to determine whether the vendors associated with these charges would have accepted other forms of payment, such as a check derived from the District's PO system.

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 must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. 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 CAP should be posted on the District's website for public review.

Appendix C: 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

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

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

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

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

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.ny.gov

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

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

BUFFALO REGIONAL OFFICE – Melissa A. Myers, Chief of Municipal Audits

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: Muni-Bufferalo@osc.ny.gov

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