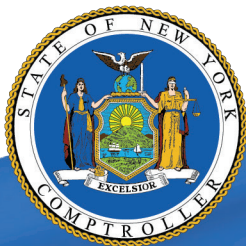


Bolton Fire District

Credit Cards

NOVEMBER 2017



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

Contents

- Report Highlights 1**

- Claims Auditing 2**
 - How Should the Board Audit and Pay Credit Card Claims? 2
 - The Board Did Not Effectively Audit Credit Card Claims. 2
 - What Do We Recommend? 4

- Appendix A: Response From District Officials. 5**

- Appendix B: Audit Methodology and Standards. 8**

- Appendix C: Resources and Services 9**

Report Highlights

Bolton Fire District

Audit Objective

Determine if claims for credit card bills were audited and paid timely and the purchases were for appropriate purposes.

Key Findings

- The Board approved payment for five credit card purchases totaling \$3,519 despite not having adequate supporting documentation.
- The Secretary-Treasurer did not reconcile monthly credit card statements to individual receipts.
- The District incurred \$116 in late fees and \$112 in finance charges.

Key Recommendations

- Require credit card users to submit adequate supporting documentation for credit card purchases and ensure that the documentation is intact prior to approving these claims for payment.
- Reconcile credit card statements to itemized supporting documentation.
- Ensure that credit card payments are made timely to avoid late fees and finance charges.

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

Background

The Bolton Fire District (District) provides fire protection services for the Town of Bolton in Warren County. 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 Secretary-Treasurer that is responsible for the receipt and custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements.

Quick Facts

Town Population	2,117
Firefighters	31
2017 Budgeted Appropriations	\$467,810

Audit Period

January 1, 2016 - April 30, 2017

Claims Auditing

How Should the Board Audit and Pay Credit Card Claims?

An effective credit card 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 District expenditures and are in accordance with the District's policies. According to New York State Town Law, no claim, including claims for credit card bills, shall be audited or ordered paid by the Board unless the claim contains proper itemization and sufficient documentation to determine the nature of the purchases.

To retain a reasonable level of control over credit cards, the Board should adopt written policies addressing credit card usage 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 Board should audit credit card claims in a timely manner to avoid unnecessary costs such as finance charges or late fees. When credit card claims are not properly audited and paid timely, the District has an increased risk that inappropriate and unnecessary spending may occur.

The District's credit card policy states that receipts for all credit card purchases must be attached to the claim and submitted to the Secretary within 72 hours of incurring the charge and in sufficient time to allow for timely payment. Receipts must detail all charges, including the name of the individual who incurred the charge, the reason for and amount of the charge. It also states the individual incurring the cost who fails to comply with the policy will be responsible for charges until they can provide supporting documentation for the charge.

The Board Did Not Effectively Audit Credit Card Claims

District officials did not establish effective procedures that ensured credit card claims were properly supported and for appropriate District purposes. The District has two credit cards, and the Commissioner, Chief, Secretary-Treasurer and fire personnel in travel status are authorized to use them. We tested all 22 credit card claims totaling \$17,692 consisting of 38 purchases made during our audit period for both credit cards. We reviewed the claims packets that included the monthly credit card statement and supporting documentation. We found five purchases totaling \$3,519 that did not have sufficient supporting documentation included with the claims packets but were still approved for payment by the Board. More specifically, these claim packets lacked itemized receipts.

Without itemized receipts, we were unable to determine if the purchases were for appropriate District purposes. After discussing these purchases with the Secretary-Treasurer, he contacted the vendor or purchaser and obtained the receipts for four of the credit card purchases totaling \$3,390 and we were able to determine the purchases were for appropriate District purposes. District officials

were not able to provide us with a receipt for the remaining purchase of \$129 while we were onsite. The District paid the credit card claims despite the lack of adequate supporting documentation required by its policy.

Additionally, the Secretary-Treasurer did not reconcile the monthly credit card statements to supporting documentation to ensure the claims included all purchases on the respective statements and the appropriate supporting documentation. Each month, he presented the two credit card claims and supporting documentation (receipts, invoices, etc.) that he received from purchasers to the Board for audit and approval for payment. The claims presented by the Secretary-Treasurer were for amounts reflecting the total credit card purchases since the last Board meeting and the claim amounts did not agree with the related monthly statements.

The Board was also provided with the monthly credit card statements when performing their audit. However, it did not ensure the Secretary-Treasurer reconciled the credit card statement to receipts or that all charges on the statement were supported by the claim before approving credit card claims for payment. We found that seven purchases totaling \$764 were paid prior to their corresponding statements being submitted to the Board. We also found payment for one purchase totaling \$550 was made late because it was not paid when the statement it was included on was submitted to the Board. Instead, it was paid with the following month's claim.

Furthermore, the Board was not always approving credit card payments prior to the due dates and, as a result, have incurred late charges and finance charges. The Board met monthly to audit and approve credit card claims for payment. After the audit and approval to pay credit card claims the Secretary-Treasurer prepared and mailed checks within three days. The District incurred \$116 in late fees and \$112 in finance charges because payments were not made timely. Officials could have sought to change the due date to after the monthly meetings to ensure that late fees and finance charges would not be incurred.

Because the Board approved payment for credit card claims without adequate supporting documentation, there was an increased risk of paying credit card claims that were unauthorized, excessive or not for appropriate District purposes. Further, when credit card statements are not reconciled there is an increased risk that errors or irregularities in processing and paying credit card claims could occur and not be detected in a timely manner. Because credit claims were not paid timely, the District incurred unnecessary costs.

What Do We Recommend?

District officials should:

1. Require adherence to the credit card policy, in particular, requiring supporting documentation for each credit card purchase.
2. Ensure that the documentation to support each item on the credit card bill is intact prior to approving these claims for payment.
3. Reconcile credit card statements to itemized supporting documentation.
4. Ensure that credit card payments are made timely to avoid late fees and finance charges.

Appendix A: Response From District Officials

BOARD OF FIRE COMMISSIONERS
OF THE
BOLTON FIRE DISTRICT
5003 LAKE SHORE DRIVE
P.O. BOX1365
BOLTON LANDING, N. Y. 12814-1365

November 2, 2017

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

This is a response to an audit of the Bolton Fire District by the Office of the New York State Comptroller. The audit number is 2017-M180. The audit period was Jan. 1, 2016 – April 30, 2017. The audit objective was to determine if claims for credit card bills were audited and paid timely and the purchases were for appropriate purposes. Findings were that the board of commissioners approved payment for five credit card purchases despite not having adequate supporting documentation, the secretary/Treasurer did not reconcile monthly credit card statements to individual receipts and the district incurred late fees and finance charges.

This audit and findings were reviewed by the Bolton Fire District Board of Commissioners at the regular monthly meeting held on November 2, 2017. The board agrees with the findings of the audit and this response was approved and will also serve as a corrective action plan(CAP).

Richard Kober
Chairman-Board of Commissioners
Bolton Fire District

November 2, 2017
Date

BOARD OF FIRE COMMISSIONERS
OF THE
BOLTON FIRE DISTRICT
5003 LAKE SHORE DRIVE
P.O. BOX 1365
BOLTON LANDING, N. Y. 12814-1365

Corrective Action Plan

Bolton Fire District

Credit Cards

2017M-180

Audit Recommendation:

Require credit card users to submit adequate supporting documentation for credit card purchases and insure that the documentation is intact prior to approving these claims for payment.

Corrective Action Plan:

Credit card use policy updated and edited to indicate that credit card users will be responsible to supply supporting documentation (receipts) and details of purchases to the treasurer within 72 hours of purchase. At the monthly Fire District meeting, board members will review all supporting documentation prior to approving credit card claims.

Implementation Date: November 2, 2017

Person Responsible for Implementation: Board Chairman

Audit Recommendation:

Reconcile credit card statements to itemized supporting documentation.

Corrective Action Plan: Board Chairman & Treasurer will meet prior to monthly Fire District meeting to reconcile credit card statements to supporting documentation.

Implementation Date: November 2, 2017

Persons Responsible for Implementation: Board Chairman & Treasurer

Audit Recommendation:

Insure that credit card payments are made timely to avoid late fees and finance charges.

Corrective Action Plan:

Adjust the payment due date for credit card payments to allow enough time for treasure to make payments after board approval at monthly Fire District meeting.

Implementation Date: November 2, 2017

Persons Responsible for Implementation: Treasurer

Richard Kober
Chairman-Board of Commissioners
Bolton Fire District

November 2, 2017
Date

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 reviewed the District's policies and procedures relevant to credit card claims auditing and interviewed District officials to gain an understanding of the District's credit card claims audit process.
- We reviewed 100 percent of the credit card claims for the District's two credit cards for the audit period to determine if claims had been adequately supported (receipts and other documentation). We reviewed the footing, cross-footing and extensions to determine if they were accurate.
- We also determined whether the credit card statements are reconciled to claims prior to payment approval.
- We tested Board approval of payments to the credit card statements and cancelled check images to determine if statements were paid accurately and timely.

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 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/index.htm>

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

<http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

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#lmg>

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

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

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

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/index.htm>

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

<http://www.osc.state.ny.us/localgov/researchpubs/index.htm>

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/training/index.htm>

Contact

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