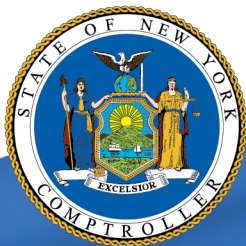


Nanuet Fire District

Credit and Gasoline Cards

DECEMBER 2018



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

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Report Highlights

Nanuet Fire District

Audit Objective

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

Key Findings

- Of the 240 credit card purchases totaling \$69,465 made during our audit period, 60 purchases totaling \$10,306 (15 percent) did not have adequate supporting documentation attached to the claims.
- Of 389 gasoline credit card purchases, totaling \$18,849 for over 6,000 gallons of unleaded gasoline, 195 purchases totaling \$9,686 (51 percent) did not have original receipts.

Key Recommendations

- Require adherence to the credit card policy, particularly with regard to supporting documentation for each credit card purchase.
- Reconcile credit and gasoline card statements to itemized supporting documentation.
- Develop and implement written policies and procedures for the use of gasoline credit cards, specifying which District officials are authorized to use the gasoline credit cards, when and how they can use the cards and what documentation is required.

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

Background

The Nanuet Fire District (District), located in the Town of Clarkstown, Rockland County, was organized in 1926. The District provides fire and emergency services to the hamlets of Nanuet and Bardonia. The District is governed by a five-member Board of Fire Commissioners (Board) who are elected to five-year terms on a staggered basis. The Chairman of the Board (Chairman) is elected annually by the Board, and the Board appoints a Secretary and a Treasurer each year. The Treasurer serves as the chief fiscal officer of the District. A volunteer force is responsible for operation of the equipment and apparatus.

Quick Facts

2017 Appropriated Expenditures	\$2.4 million
Credit Card Purchases During Audit Period	\$69,465
Gasoline Card Purchases During Audit Period	\$18,849

Audit Period

January 1, 2017 – July 31, 2018

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.

To ensure control over credit cards, the Board should adopt and enforce 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 District's credit card policy states that receipts for all credit card purchases must be attached to a requisition form and submitted to the Board. Credit cards are to be used for the purchase of equipment, supplies and services for the District. Receipts must detail all charges, including the name of the individual who incurred the charge, and 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. In addition, tax-exempt forms and purchase orders, if needed, will be obtained from the Treasurer.

A comprehensive gasoline credit card policy and formal written procedures can help ensure that costs associated with gasoline purchases are appropriate, purchases are properly supported and gasoline is used only for District vehicles and equipment. The policy should describe the documentation required to support the purchases and the types of purchases allowed and include procedures for monitoring gasoline credit card usage. Cards should be assigned in a manner that enables the District to account for gasoline transactions. Vehicle cards assigned to particular vehicles, and equipment cards assigned to individuals responsible for fueling equipment, help to ensure that fuel is purchased only for District vehicles and equipment. Timely reconciliation of the vendor's statement, gasoline receipts and vehicle logs can help prevent, detect and correct irregularities.

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 one credit card with seven authorized users. We tested all 19 credit card claims totaling \$69,465, consisting of 240 purchases made during our audit period, and reviewed the claims packets that included the monthly credit card statement and supporting documentation. We found 60 purchases totaling \$10,306 did not have sufficient supporting documentation included with the claims packets but were still approved for payment by the Board. Further, these claim packets lacked itemized receipts.

For example, 19 charges¹ totaling \$5,626 for meals and registrations either lacked detailed original receipts or had no receipt. District officials said some of the charges were charged to rooms and the individual had not requested a copy of the specific charges. With the exception of minor discrepancies that we discussed with District officials, we found that the amounts charged were generally reasonable. The Chairman stated that some purchases were overlooked and in many instances the District was reimbursed. However, it is essential that all purchases are supported by itemized receipts so the Board can be assured they are appropriate District expenditures and the Treasurer can reconcile credit card statements to receipts before the claims are paid.

We also found that 13 purchases totaling \$1,624 included \$119 paid in sales tax even though the District's policy requires use of tax-exempt forms when making purchases. District officials told us they forgot to bring the tax-exempt forms when purchasing the items.

Furthermore, the Treasurer did not reconcile the monthly credit card statements to supporting documentation to ensure that the claims included all purchases, with appropriate supporting documentation, on the statements. Each month, the Treasurer presented the credit card claim and supporting documentation from the purchasers (e.g., receipts, invoices) to the Board for audit and approval for payment. However, the Board did not ensure the Treasurer reconciled the credit card statement to receipts or that all charges on the statement were supported in the claim before approving credit card claims for payment. While the Board did review the statements (which are included in the Board meeting minutes) for accuracy, it did not ensure that the detail receipts were attached to the claims. The District should strengthen controls by requiring the Treasurer to reconcile credit card statements to receipts to ensure that payments are accurate.

We found that all purchases were supported by a claim or statement. However, because the Board approved payment for credit card claims without adequate supporting documentation included with the claims, the District could potentially pay credit card claims that were unauthorized, excessive or not for appropriate District purposes. When credit card statements are not reconciled, there is an increased risk of errors or irregularities in processing and paying credit card claims. In addition, purchases made without adhering to policies and procedures resulted in the District incurring unnecessary expenditures.

The Board Did Not Monitor Gasoline Credit Cards

Although the Board has adopted a credit card policy, it did not establish written policies and procedures for monitoring gasoline credit card use. The credit card policy does not identify the number of cards to be issued or the individuals

¹ Some charge amounts were for multiple District employees.

authorized to use the cards. Although the Board assigned gasoline credit cards to specific District officials, the card users were not required to submit receipts or document the vehicle or the mileage at the time of purchase.

District officials made 389 purchases, amounting to over 6,000 gallons of unleaded gasoline at a net cost² of \$18,849 during the audit period. Initially, none of the statements had receipts attached. District officials found half of the receipts; however, 195 purchases totaling \$9,686 did not have original receipts. District officials stated they had been lax in requiring receipts, and trusted cardholders to charge appropriately. It appears all charges were for gasoline based on the statements; however, since the District does not require users to document the vehicle or mileage at fill-up, we cannot conclude all gas was for District purposes. As a result, accountability over gasoline purchases is diminished and there is limited assurance that the gasoline purchases made by District officials were for proper District purposes.

What Do We Recommend?

The Board should:

1. Require adherence to the credit card policy and ensure that supporting documentation for each purchase is provided with credit card bills prior to approving these claims for payment.
2. Reconcile credit and gasoline credit card statements to itemized supporting documentation.
3. Develop and implement written policies and procedures for the use of gasoline credit cards that specify which District officials are authorized to use the gasoline credit cards, when and how they can use the cards and what documentation is required.

² The District is exempt from paying excise tax of \$1,011, which was deducted from the total billed.

Appendix A: Response From District Officials

BOARD OF FIRE COMMISSIONERS NANUET FIRE DISTRICT

P.O. BOX 119
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Harold Straut-Chairman
Vincent Pacella -Deputy Chairman
Domenick Giovinazzo
Socky Trojahn
Todd Giraudin

Socky Trojahn-Secretary
Robert Lacy-Treasurer
Joseph Somma- Purchasing Director

December 12, 2018

New York State Comptroller
Newburgh Regional Office
Tenneh Blamah, Chief Examiner
33 Airport Center Dr. Ste. 103
New Windsor, NY 12553-4725

Re: Nanuet Fire District Response of Draft Report of Examination 2018M-193

Dear Ms. Blamah:

On behalf of the Board of Fire Commissioners of the Nanuet Fire District, I am writing to acknowledge the receipt of the Draft Report of Examination for the use of Credit and Gasoline Cards for the time period of January 1, 2017 through July 31, 2018. The Board realizes an audit is a collaborative effort to identify opportunities for improving the operations and governance of the District.

The Board and District Officials have reviewed the Draft Audit Report and acknowledge and accept the findings and have no objection to the recommendations. The Board would like to request that this Audit Response and our Corrective Action Plan be combined into a single document.

The Board has reviewed the recommendations regarding the use of credit cards and gasoline credit cards and made the appropriate changes necessary to our policies to ensure compliance. These changes were approved by the Board of Fire Commissioners at their December 11, 2018 Monthly Meeting and took effect immediately. Attached is our Corrective Action Plan approved at the December 11, 2018 Monthly Meeting.

We would like to thank the Office of the State Comptrollers personnel involved in the audit process for their professionalism, thoroughness and courtesy displayed during the audit. If you have any questions, please do not hesitate to contact this office.

Sincerely,

Harold E. Straut
Chairman, Board of Fire Commissioners

BOARD OF FIRE COMMISSIONERS NANUET FIRE DISTRICT

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Socky Trojahn-Secretary
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Corrective Action Plan

Report Number 2018M-193

Audit Recommendations:

- 1- Require adherence to the credit card policy and ensure that supporting documentation for each purchase is provided with credit card bills prior to approving these claims for payment.
- 2- Reconcile credit and gasoline card statements to itemize supporting documentation.
- 3- Develop and implement written policies and procedures for the use of gasoline credit cards that specify which District Officials are authorized to use the gasoline credit cards, when and how they can use the cards and what documentation is required.

Corrective Action Plan:

- 1- The Board re-enforced our Credit Card Policy requiring supporting documentation for all purchases with all District personnel that are authorized to use District issued credit cards. The District Treasurer acknowledged the requirement to identify charges without supporting documentation, or do not comply with District guidelines, so they can be reconciled or reimbursed. The Board acknowledged the requirement to monitor compliance as part of the approval process. In addition, a copy of the March 2017 letter from the NYS Department of Taxation and Finance for Tax Exemption, the requirements for detailed expenses and the NYS ST-129 Tax Exempt form will be made available to all card holders.
- 2- Effective immediately the Treasurer will reconcile all receipts with invoices. If any receipts are missing, contain tax, or do not comply with District requirements the individual that made the purchase and Board will be notified. The individual that made the purchase will be responsible to provide documentation, coordinate the removal of tax or will be required to provide reimbursement as per our policy.
- 3- The Board has replaced the gasoline credit cards with the [REDACTED] Card. Each [REDACTED] card is assigned to a specific vehicle and individual pin numbers have been assigned to authorized users. In order to fuel, the [REDACTED] card requires users to enter their pin number and vehicle mileage. This will enable the Board to track fuel usage, mileage and users. Our vehicle policy also requires that all fuel receipts be submitted on a monthly basis as supporting documentation. Purchases that do not have supporting documentation or do not comply with District policy, and will be reimbursed by the purchaser.

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 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 credit and gasoline credit cards for the audit period to determine whether claims were adequately supported with receipts and other documentation.
- We determined whether the credit card statements were reconciled to claims prior to payment approval.

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.

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

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

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

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

www.osc.state.ny.us/localgov/finreporting/index.htm

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

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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