



# Miller Place Fire District

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## Credit Cards

**2024M-58 | September 2024**

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# Report Highlights

## Miller Place Fire District

### Audit Objective

Determine whether the Miller Place Fire District (District) Board of Fire Commissioners (Board) ensured that credit card charges were properly approved, supported and for appropriate purposes.

### Key Findings

The Board did not always ensure that credit card charges were properly approved, supported and for appropriate purposes. As a result, there is an increased risk that the District will expend funds for unauthorized or inappropriate purchases.

Of the 136 charges and credits totaling \$70,570 we reviewed:

- 86 charges totaling \$40,198 were accompanied by purchase orders that lacked a detailed description of the items or services, the quantity of items, or the dollar amount of items or services.
- 12 charges totaling \$9,362 did not have sufficient supporting documentation attached to the claim but were approved for payment by the Board.
- Commissioners approved and audited their own credit card charges totaling \$14,544 and 25 charges totaling \$10,005 had purchase orders that were approved by the District official making the purchase.

### Key Recommendations

- Ensure credit card charges are sufficiently supported with itemized receipts before they are audited and approved for payment.
- Ensure purchase orders contain sufficient detail and are approved prior to purchases being made.
- Ensure all claims are subject to an independent audit so Commissioners are not responsible for approving their own claims.

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

### Audit Period

January 1, 2022 – November 30, 2023

### Background

The District provides fire protection services to residents in the Town of Brookhaven in Suffolk County.

The five-member Board, consisting of the Chairperson of the Board (Chairperson) and four Commissioners, governs the District and is responsible for its overall financial management. The Board-appointed Treasurer is the chief fiscal officer and is responsible for the custody and disbursement of District funds.

The District Manager is responsible for preparing claims packages for the Board and reconciling credit card expenditures.

#### Quick Facts

Appropriations	
2022	\$2.5 million
2023	\$2.6 million
Total Credit Card Charges for the Audit Period	
Amount Disbursed	\$157,402
Total Reviewed	\$70,570

# Credit Cards

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## How Should a Board Ensure Credit Card Charges Are Properly Approved, Supported and for Appropriate Purposes?

A credit card policy should address 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 should also include procedures for monitoring credit card use to assess the reasonableness of the nature and number of charges and to promote accountability and responsibility by outlining the risks, such as liability for damage, loss and/or improper use.

An effective credit card claims audit 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 fire district (district) expenditures and are in accordance with the district's policies. As a general rule, a claim package should contain enough detail and documentation so that a board of fire commissioners (board) is supplied with sufficient information to make that determination. This documentation should include:

- Purchase orders with specific details about the items or services to be purchased, including quantity, costs, model numbers, terms of sale, availability of appropriations, approvals prior to the purchase being made and where practical, authorized by an official other than the official(s) requesting the purchase.
- Itemized receipts that detail each line item of the goods or services from a transaction, including the date and time of purchase, specific items purchased, quantities and amounts and taxes paid.<sup>1</sup>
- Proof of attendance at conferences, conventions, and drills such as training certificates when travel related expenditures are included.

According to New York State Town Law (Town Law),<sup>2</sup> no claim, including claims for credit card bills, shall be paid unless audited by the board to ensure the claims contain proper itemization and sufficient documentation to determine the nature of the purchases. The board's approval of the claims must be documented and recorded in the minutes of the board. A warrant listing all approved claims should be prepared and compared to disbursement records to ensure that all claims have been approved by the board. The treasurer should not pay claims prior to the board audit except for those claims legally exempt from this requirement.<sup>3</sup>

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<sup>1</sup> Fire districts are tax-exempt organizations.

<sup>2</sup> Town Law Section 176 (4-a)

<sup>3</sup> According to Town Law Section 118, the board may authorize, by resolution, the payment of claims for public utility services, postage, freight and express charges prior to auditing the claims.

## The Board Did Not Ensure Credit Card Charges Were Properly Approved and Supported

The District maintained 19 credit card accounts, with credit limits ranging from \$3,000 to \$20,000, that were not formally Board-approved by a policy or resolution. This occurred because the Board did not establish an adequate credit card policy that included an authorized list of users and reasonable credit limits. The District issued general use credit cards and retail vendor credit cards to all five Commissioners, the District Manager, houseman, and three District chiefs. (Figure 1).

**Figure 1: District Credit Card Accounts**

Card Holder	General Use	Retail Vendor 1	Retail Vendor 2
Commissioner 1	X	X	X
Commissioner 2	X	X	X
Commissioner 5	X	X	X
District Manager	X	X	X
Houseman	X	X	-
Chief 1	X	-	-
Chief 2	X	-	-
Chief 3	X	-	-
Commissioner 3	X	-	-
Commissioner 4	X	-	-
<b>Total</b>	<b>10</b>	<b>5</b>	<b>4</b>

As of November 2023, the general use credit card accounts and retail vendor credit card accounts had a combined total credit limit of \$157,000. Six of these credit cards had credit limits of \$20,000. The Chairperson stated that high credit card limits were necessary when booking fire conference-related purchases, as registration and hotel fees can exceed thousands of dollars when the events are booked for multiple District officials. However, having six cards with high credit limits is not necessary because travel should generally be booked on the District Manager’s card. In addition, because credit card purchases can be made without going through the normal purchasing process, these high limits increase the risk that significant invalid purchases could be made. Although the Board reviewed the credit card statements monthly through the claims audit process, the high limits could allow for a significant amount of invalid purchases to be made before the Board identified such purchases. Furthermore, when Commissioners are auditing claims that include their own credit card purchases, the audit process is not independent and, therefore, may be ineffective.

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During the audit period, the District paid 111 general use and retail vendor credit card claims totaling \$157,402. We reviewed 26 credit card claims, composed of 136 charges and credits<sup>4</sup> totaling \$70,570, and while the charges generally appeared to be for appropriate District purposes, we determined that credit card charges were not always properly supported and approved. Based on our review, credit card claims had one or more deficiencies, as follows:

- 86 charges totaling \$40,198 were accompanied by purchase orders and/or vouchers that lacked a detailed description of the items or services, the quantity of items, the dollar amount of the items or services.
- 25 charges totaling \$10,005 had purchase orders that were approved by the District official making the purchase. For example, one Commissioner charged \$1,243 in travel-related expenses to the general use credit card, and signed and approved the purchase order for these expenses with minimal information listed on the purchase order. The purchase order said “car rental and hotel,” but there was no explanation of what the travel-related expenses were for (e.g., the conference name) or the dollar amount authorized. The itemized receipts attached to the claim indicated that there was an upgrade charge of \$105 for the car rental that was charged to the credit card. We question whether such an expense would have been authorized if the purchase order was detailed and authorized by a District official that did not make the purchase.
- 16 charges totaling \$5,669 were confirming purchases<sup>5</sup> that did not have an approved purchase order prior to the purchase being made. Eight of these purchases totaling \$3,573 were for travel-related expenses that should have been approved by the Board in advance of the travel and, therefore, should have an approved purchase order before the expenses were incurred. For example, the deposit for a Commissioner’s lodging for a conference from November 9, 2022 through November 13, 2022 was made on June 16, 2022. However, the purchase order totaling \$1,616 for the remaining lodging balance, car rental and gas was not created and approved until November 17, 2022, four days after the Commissioner returned from the conference.
- 12 charges totaling \$9,362 did not have sufficient supporting documentation attached to the claim but were approved for payment by the Board. These purchases either lacked receipts, itemized receipts or attendance certificates for conferences attended by District officials and members. For example, two charges totaling \$1,669 were for lodging expenditures for a fire department drill in Utica, New York. Although the District Manager provided a list of

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

5 A confirming purchase order is issued after goods or services are received rather than following the normal purchase approval process when purchase orders are issued prior to goods or services being obtained.

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the members that attended the drill, she did not provide any official type of documentation (e.g., registration, attendance and/or participation records) to indicate that they attended the drill. After our audit fieldwork, the Treasurer provided receipts for two of these charges totaling \$648. However, these receipts were not included with the original claim package that was audited and approved for payment by the Board.

The Chairperson told us that due to the small size of the District and a limited number of employees, the Commissioners participate in some of the business operations, such as registering officials and members for conferences and purchasing general items for the District. Officials agreed that while the intention is for purchases to be approved in writing before they are made, there are instances where purchases are approved verbally before they are approved on the purchase order. When purchases are verbally approved or the Board approves claims for payment that do not contain the appropriate supporting documentation, there is an increased risk that the District will expend funds for unauthorized or inappropriate purchases.

Furthermore, 18 claims totaling \$24,021 were for credit card charges made by Commissioners, and 10 claims totaling \$14,544 were audited and approved for payment by the Commissioner who made the purchase. For nine of these claims totaling \$13,148, the claim would not have been audited by a majority of the Board (three of the five Commissioners) if the Commissioner making the purchase did not approve the claim. For example, one Commissioner charged \$1,079 in travel-related expenses, including hotel lodging and a car rental, for a conference in Orlando, Florida. This claim was audited and signed for approval by three Commissioners, including the one who made the purchase, and was paid by the Treasurer before the Board meeting. Therefore, not all Commissioners were given the opportunity to review the claim before it was paid.

The Chairperson told us that the Board has re-evaluated its credit card and cash receipts and disbursements policies, and made changes and adjustments to better align with sufficient purchasing and disbursement procedures. When the Board does not ensure that all claims are subject to an independent audit prior to payment, there is limited assurance that claims are properly audited, supported and for appropriate District purposes.

## **What Do We Recommend?**

The Board should:

1. Consider revising the credit card policy to include stipulations for authorized users and reasonable credit card limits.

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2. Ensure all general and retail credit card charges are sufficiently supported with itemized receipts before they are audited and approved for payment.
  3. Ensure that purchase orders contain sufficient detail, are approved before purchases are made, and are not being approved by the person making the purchase.
  4. Ensure all claims are subject to an independent audit so Commissioners are not responsible for approving their own claims.

The Treasurer should:

5. Ensure all claims are audited and approved by the Board before issuing payment.



# Appendix A: Response From District Officials

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## **MILLER PLACE FIRE DISTRICT**

12 MILLER PLACE ROAD  
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(631) 473-7788  
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September 3, 2024

Ira McCracken  
Chief of Municipal Audits  
NYS Office Building  
Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

This letter is submitted in response to your findings related to the audit of credit card transactions for the period January 1, 2022 through November 30, 2023. Please accept this as both the Board's response to the audit findings as well as the Corrective Action Plan.

The Board has reviewed the audit findings and agrees with the findings as presented. The Board would like to point out the following:

- Many of the findings were due to administrative oversights rather than non-existent policies or weak procedures and controls.
- In some instances, documentation provided and deemed insufficient in the findings is what was provided by or made available by the vendor related to online purchases and training events.

### **Revised Policy**

The Board has revised and approved changes to the District's Credit Card Policy. The revised policy was approved by the Board at a public meeting held January 10, 2024.

The Credit Card Policy has been updated to clarify or establish the following:

- Circumstances when credit cards may be used.
- Personnel, designated by position, who will be issued a credit card.
- Credit limits.
- Card holder responsibility for failure to comply with policy.
- Required documentation to support purchases.
- Personnel issued a credit card are given a copy of the policy and are required to return a signed acknowledgement of receipt and understanding of the policy.

As a result of the changes made to the Credit Card Policy, credit card limits have been reduced.

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Mr. Ira McCracken – page 2 -

**Sufficient Supporting Documentation, Purchase Orders and Audit of Claims**

The Board and supporting administrative staff discussed the audit findings at a public meeting held on August 14, 2024. It was determined that existing policies along with the credit card policy, as revised, were sufficient.

The Board and administrative staff were reminded at that meeting of the following related to the audit:

- Documentation provided to support all claims must be reviewed by Commissioners and staff to be certain that it adequately describes the item(s) purchased, quantity purchased, vendor details and pricing. If documentation provided by the vendor or that is available for online purchases is not adequate, a good faith effort will be made to find supplemental documentation to support the claim. Such documentation might include a print off from website, packing slips or detailed notes.
- Purchases made by credit card where inadequate documentation is provided by the card holder may become the personal responsibility of the person initiating the purchase in accordance with district policy.
- An effort will be made to provide additional details on purchase orders.
- Any person making a purchase via a credit card cannot be the same person who approved the purchase order related to the charge.
- Closer attention will be paid to which Commissioners audit any given claims package to ensure that at least three commissioners, other than the commissioner who initiated the purchase, review the claims package.
- All the above will be taken into consideration by the Treasurer prior to issuing payments.

The Board appreciates the comments made.

Respectfully submitted,

Carol Hawat  
Chairperson  
Board of Fire Commissioners

## Appendix B: Audit Methodology and Standards

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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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed written policies to gain an understanding of the District's credit card approval, usage and support procedures, and claims auditing process.
- We used our professional judgment to select 26 general use and retail credit card disbursements, comprised of 136 charges and credits, totaling \$70,570 to determine whether they were independently audited before they were paid; the charges included an attached purchase order; purchase orders were approved before the purchase was made; and purchases were authorized by an official other than the officials requesting the purchase and were supported for a valid District purpose. We selected disbursements for each credit card number and vendor name in each fiscal year in our audit period. For materiality purposes, we excluded disbursements that were less than \$500.
- We reviewed credit card statements and interviewed District officials to determine which officials were issued general use and retail credit cards and the available limits on those cards.

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. 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

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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. We encourage the Board to make the CAP available for public review.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

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

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

[www.osc.ny.gov/local-government/fiscal-monitoring](http://www.osc.ny.gov/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

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

[www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.ny.gov/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.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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