



Town of Poestenkill

Credit Card Purchases

2024M-34 | June 2024

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Report Highlights

Town of Poestenkill

Audit Objective

Determine whether the Town of Poestenkill (Town) Town Board (Board) ensured credit card purchases were adequately supported, for legitimate purposes and approved before payment.

Key Findings

The Board did not ensure all credit card purchases were adequately supported, for legitimate purposes and approved before payment. As a result, the Town paid \$1,322 for inappropriate personal purchases including, but not limited to, household and personal care items, video streaming services and clothes that were made by the former Administrative Assistant (Assistant) using Town resources.

Based on the findings, an investigation was commenced. The Assistant was arrested in March 2023 and pleaded guilty to a Class A misdemeanor for petit larceny in February 2024. She paid \$2,640 in restitution, which included additional amounts uncovered during the investigation.

- Officials did not maintain supporting documentation for 142 credit card purchases totaling \$12,314 (23 percent).
- The Town paid \$1,873 for 21 purchases that were not for an appropriate Town purpose.
- The Board did not audit eight credit card payments totaling \$13,563 (28 percent) before payment, as required.

Key Recommendations

- Establish a written credit card policy.
- Ensure purchases are properly supported.
- Audit and approve all claims before payment.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Audit Period

January 1, 2019 – September 30, 2021

Background

The Town is located in Rensselaer County. The elected Board, which comprises the Town Supervisor (Supervisor) and four Board members, is responsible for the general oversight of operations and finances. The Supervisor serves as the chief executive officer and chief fiscal officer.

During our audit period, the Town had four credit cards issued by two different institutions in two former Supervisors' names (three cards) and the Town's name (one card).

The Board-appointed Assistant was responsible for physically securing credit cards, preparing credit card claims for payment and making credit card payments. The Assistant was terminated from her position on October 30, 2021.

Quick Facts

2021 Appropriations	\$2.6 million
Credit Card Transactions for the Audit Period	
Amount of Purchases	\$54,099
Number of Purchases	402

Credit Card Purchases

How Should the Board Authorize and Control Credit Card Purchases?

A town board (board) is responsible for overseeing financial activities and safeguarding resources. Appropriate oversight and monitoring includes establishing policies and procedures to help ensure that credit card transactions are authorized and adequately supported, and are actual and necessary town expenditures before the board approves them for payment.

The board should adopt a credit card policy that addresses the specific circumstances under which credit cards may be used, the number of authorized cards, who is authorized to use them, prior approval(s) needed, dollar limits, 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 must ensure that supporting documentation for credit card purchases includes enough detail to determine what was purchased and the price charged.

The board is required by New York State Town Law (Town Law), Section 118 to audit all claims before they are paid. An effective 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 town expenditures and are in accordance with town policies. To properly audit credit card purchases, the board should review credit card statements and reconcile them with itemized receipts and invoices.

The Assistant Inappropriately Made Personal Purchases Using Town Credit Cards

The Assistant inappropriately made 28 personal purchases totaling \$3,239 during our audit period using Town credit cards. These purchases were made for household items, food, personal care items, online subscriptions (retail store membership and online services), video streaming services, clothes and a gift card. One of the purchases was made on August 6, 2021 for \$1,794 at a spa but the charge was reversed four days after it was made, the day before we arrived on site to commence our audit. In addition, two video streaming services totaling \$11 were refunded during our audit period. The Assistant used Town funds to pay \$1,322 for her personal purchases during our audit period and made seven partial credit card payments totaling \$112 with other than Town funds.

The inappropriate use of the credit cards occurred because the Assistant maintained control of the credit cards and processed credit card payments, which the Board approved without adequate supporting documentation. On March 10, 2023, the Assistant was arrested and charged with grand larceny, falsifying business records and official misconduct. On February 20, 2024, the Assistant pleaded guilty to petit larceny and paid restitution of \$2,640, which includes additional amounts uncovered during the investigation.

Officials Did Not Maintain Supporting Documentation for Purchases Made With Credit Cards

We reviewed all 402 credit card purchases totaling \$54,099 made during our audit period to determine whether purchases were adequately supported, for appropriate purposes and approved before payment. Officials did not maintain supporting documentation, such as receipts or invoices detailing the items purchased and prices charged, for 142 purchases totaling \$12,314 (23 percent). Among other items, these purchases included software, office supplies and supplies for the youth program.

In addition to the 28 personal purchases totaling \$3,239 inappropriately made by the Assistant (see the section titled *The Assistant Inappropriately Made Personal Purchases Using Town Credit Cards*), the Town paid \$1,873 for 21 purchases that were not for an appropriate Town purpose. These purchases included food and decorations for a former official's farewell party, various gifts to officials and employees (gift cards, clothes, retirement gifts), monetary gifts to a private organization and pre-paid wireless Internet. Without adequate supporting documentation, officials cannot be sure that other purchases made with credit cards were appropriate.

The 402 credit card purchases included purchases totaling \$6,207 for 38 non-consumable items, such as air conditioners, laptops, house plants, clothing, coffee makers and other items which could be used for personal purposes. We located 27 items totaling \$5,723, but could not locate 11 items totaling \$484, purchased by the Assistant. These items included house plants, citrus trees, clothes and a floating (i.e., wall-mounted) shelf.

Of the 38 credit card payments totaling \$48,732 made for credit card purchases during our audit period, eight payments totaling \$13,563 (28 percent) were made before the Board's audit and approval. One credit card payment for \$2,992 (6 percent) was made without evidence of Board approval. In addition, the Board authorized a \$547 overpayment to the credit card company in May 2021, which was credited to the account, reducing the next month's payment. Officials were unable to explain why the overpayment occurred.

These exceptions occurred because the Board did not establish policies or follow adequate procedures to authorize and control the use of credit cards and ensure credit card claims were properly supported, for appropriate purposes and audited before payment. In addition, the Board approved payment for credit card claims without the original credit card statement, adequate supporting documentation and a thorough audit, reconciling statements with itemized receipts and invoices. Instead, the Board reviewed credit card claims prepared by the Assistant and the related receipts or invoices if the Assistant attached them to the claims. As a result, the Town paid for inappropriate credit card purchases.

What Do We Recommend?

The Board should:

1. Establish a formal written credit card policy which details authorized use, approval process, documentation requirements, receipt verification and relevant reimbursement processes.
2. Require adequate supporting documentation for all credit card purchases.
3. Thoroughly audit credit card claims, ensuring that documentation to support credit card purchases includes itemized invoices before approving claims, and that credit card statements are reconciled to the supporting documentation.
4. Ensure all credit card claims are audited and approved by the Board before being paid.

Appendix A: Response From Town Officials



TOWN OF POESTENKILL
38 Davis Drive/ P.O. Box 210
Poestenkill, NY 12140

May 31, 2024

████████████████████
Division of Local Government And School Accountability

One Broad Street Plaza

Glens Falls, N.Y. 12801

Good Morning ██████████

The Town of Poestenkill accepts the findings from the investigation your Office conducted into Town Credit Card Purchases from January 1, 2019 through September 30, 2021. Corrective actions have begun such as reducing the number of Credit Cards to one from multiple Cards, securing the Card In a safe location, personal use of the Town Credit Card is strictly forbidden, our procurement policy must be followed when purchases are made with a Credit Card, the Credit Card activity is monitored daily by the Supervisor and Card usage is reviewed/audited prior to Card payment being made. Additional measures will be formalized in writing prior to Poestenkill's final Corrective Action Plan response within the next ninety days to your Office. Thank you for your time, advice and assistance on this matter.

Respectfully,

Tom Russell _____

Supervisor, Town of Poestenkill

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. 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 Town officials and employees, and reviewed policies and procedures to gain an understanding of the credit card purchasing and claims auditing processes.
- We reviewed all credit card claims during our audit period to determine whether claims were adequately supported, properly approved and paid on time, and whether purchases were for appropriate Town purposes. We reviewed canceled checks and electronic payment dates and compared to Board approval dates documented in meeting minutes to determine whether credit card claims were paid prior to audit.
- We reviewed all credit card payments and compared these payments to canceled checks and electronic payments to determine whether the payments were made with Town funds.
- We used our professional judgment to select 38 non-consumable items purchased with credit cards. We reviewed these items to determine whether they were in the Town's possession. We selected items that could be used for personal purposes.
- We reviewed credit card statements to determine whether reward points earned on the statements were redeemed for the Town's benefit.
- We reviewed all purchases including subscription services made through the Town's account of an online retail website. We determined whether items purchased were for personal use by reviewing the credit card used, the shipping address and by interviewing Town officials.

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 should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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 in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

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

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

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

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

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