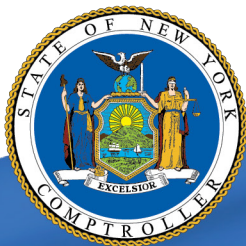


Brighton Fire District No. 5

Credit Card and Travel Expenditures

SEPTEMBER 2019



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

Contents

- Report Highlights 1**

- Credit Card and Travel Expenditures 2**
 - How Should the Board Ensure That Credit Card and Travel Expenditures Are Appropriate? 2

 - Payments Were Not Properly Approved, Adequately Supported or a Proper Use of District Money 2

 - What Do We Recommend? 6

- Appendix A – Response From District Officials 7**

- Appendix B – Audit Methodology and Standards 9**

- Appendix C – Resources and Services 10**

Report Highlights

Brighton Fire District No. 5

Audit Objective

Determine whether credit card and travel expenditures were properly approved, supported by adequate documentation and a proper use of District money.

Key Findings

- The Board and District officials could not demonstrate whether Board-approved payments of approximately \$169,000 were a proper use of District money.
- Travel and car rental costs of approximately \$58,000 were not pre-approved and the Board did not authorize per diem payments of approximately \$9,000 that may have been unnecessary and/or an improper use of District money.
- The District could have saved up to \$17,000 had the Board required the use of lodging that accepted General Services Administration rates.

Key Recommendations

- Seek reimbursement of improper and other questionable payments.
- Properly audit all claims for payment.
- Properly establish and pay per diem amounts.

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

Background

Brighton Fire District No. 5 (District) is a district corporation of the State, distinct and separate from the Town of Tonawanda in Erie County.

The District is governed by an elected five-member Board of Fire Commissioners (Board) who is responsible for the District's overall financial management and safeguarding its resources. The Board-appointed Treasurer (Treasurer) is the chief fiscal officer and is responsible for receiving, disbursing and maintaining custody of all District money. The Board-appointed Secretary (Secretary) is responsible for keeping a complete and accurate record of Board meeting minutes and all Board-adopted policies, rules and resolutions.

Quick Facts

Credit Cards	7
2018 Budgeted Appropriations	\$1.1 million

Audit Period

January 1, 2011 – August 25, 2016

Subsequent to the end of field work, we conducted interviews with District officials in May and June 2019 in order to update our audit and satisfy the audit objective.

Credit Card and Travel Expenditures

In February 2016, during our audit period, the former Treasurer resigned from his position at the Board's request. The Board subsequently hired an accounting firm to perform the Treasurer's duties until a new Treasurer was appointed in July 2016. Our audit focuses on activity prior to the former Treasurer's resignation.

How Should the Board Ensure That Credit Card and Travel Expenditures Are Appropriate?

The Board is responsible for overseeing the District's financial activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish internal controls to help ensure that credit card transactions are authorized and adequately supported and that travel costs are substantiated and are actual and necessary expenditures. The claims must be supported by adequate documentation including proper authorization, itemized invoices or receipts detailing the goods or services provided. There should be sufficient information to determine that the purchases were for proper District purposes and in accordance with statutory requirements and the District's policies.

Additionally, the Board is required by law¹ to hire an independent certified public accountant, or an independent public accountant, to perform an annual audit to help identify errors and irregularities and help ensure that District money is used for legitimate District purposes.

Payments Were Not Properly Approved, Adequately Supported or a Proper Use of District Money

The Board adopted a travel policy in January 2008 which states that receipts are required for all expenses except those that will be covered by the District's per diem rate and that all travel and car rentals must be pre-approved.² The travel policy further states that meals will be reimbursed at the per diem rates established by the Board. Lastly, the travel policy states that expenses incurred by or for a spouse of District staff and officials, unauthorized entertainment expenses and alcoholic beverages will not be reimbursed. While the Board adopted a credit card policy on June 21, 2016, the majority of credit card and travel-related vouchers we examined were paid previous to this date.

We examined credit card and travel-related payments totaling approximately \$274,000 and found significant exceptions³ that resulted from a persistent culture, fostered by the Board, of entitlement and abuse of taxpayer money. Our significant exceptions follow.

1 New York State Town Law 181-b

2 By the Board and recorded in its meeting minutes

3 Some payments have more than one exception.

-
- Payments approved without adequate supporting documentation – We identified expenditures of approximately \$169,000 that the Board approved for payment even though the majority (\$166,000 or 98 percent) were not supported by any documentation such as an itemized invoice or receipt and the remainder (\$2,780 or 2 percent) were insufficiently⁴ supported. As a result, when Board members approved these expenditures for payment, they did not have sufficient information to determine whether or not the costs were a proper use of District money.

For example, the Treasurer charged purchases of approximately \$7,000 from online technology, retail and office supply stores and the Secretary charged purchases of approximately \$4,000 at an office supply and technology store, none of which was supported with documentation such as an invoice or receipt.

- Travel and car rental costs not properly approved – While the District’s travel policy requires both travel and car rental costs to be pre-approved by the Board before the travel is initiated, we found no such approval documented for approximately \$58,000 in related costs. Consequently, the Board was not in control of the costs being incurred and the District may have paid for unnecessary and/or improper expenditures as a result.

For example, District officials could not provide evidence authorizing either the Treasurer or the Secretary to attend various out-of-state conferences and events which cost the District approximately \$17,000 for the Treasurer and \$13,530 for the Secretary.

Further, of the total costs, the District paid approximately \$5,400 (9 percent) for 13 car rentals during our audit period that were not properly pre-approved. In addition to the lack of pre-approval, we noted at times, a wide disparity in the costs for similar car rentals. For example, one Board member charged \$187 for a car rental in November 2013, while another Board member charged \$663 for a similar car from a different car rental agency for the same period while attending the same conference. Similarly in 2015, one Board member charged \$180 for a car rental during a symposium while another Board member paid \$1,035 for an eight passenger vehicle, but indicated that he provided transportation to two other Board members.

- Per diems not approved – While the District’s travel policy indicated that meals would be reimbursed at the current per diem rates established by the Board, officials could not provide evidence⁵ the Board established meal per diem rates. We noted several inconsistencies in the per diem rates paid when reviewing the credit card and travel-related voucher payments. Board

⁴ Documentation was attached but did not cover all of the related expenditures or was not sufficiently itemized to indicate what the expenditures were for.

⁵ Such as a resolution in the Board’s meeting minutes

members and chiefs were routinely paid per diems of \$56 per day to cover the cost of meals while firefighters were paid either \$48 or \$54 per day for the same. While we found that these per diem amounts were generally consistent with General Services Administration (GSA) rates, we note that during our audit period, approximately \$9,000 was paid for the meal per diems, but not approved by the Board. As a result, the District may have paid for unnecessary and/or improper expenditures.

Further, while not authorized by the Board, certain District officials were paid additional per diem amounts for parking (\$10) and phone costs (\$4) incurred during travel while at the same time, their actual costs for these same expenditures were fully reimbursed by the Board. We identified payments totaling approximately \$1,000 for these parking and phone per diems that the Board did not authorize.

- Improper payments – While many of the payments we reviewed were not supported by sufficient documentation, and as a result, we could not clearly discern whether they were a proper use of District money, the Board also approved payments totaling approximately \$4,300 for credit card charges and travel-related expenditures that were an improper use of District money.

For example, the Secretary used his District credit card and incurred a total of approximately \$2,000 in travel related costs including airfare, hotel reservations, baggage fees and shuttle transportation for himself and his spouse traveling with him, who was not a District official, for a conference held in Dallas, Texas in 2014. District officials could not provide evidence that the Secretary attended the conference. Further, the Board did not reject these costs and instead approved all costs for payment. The District spent \$488 for the Secretary's spouse's flight and luggage cost for this trip. Moreover, he again charged his spouse's flight cost of \$255 on the District's credit card for a trip to Tampa, Florida in 2015. While the Secretary purportedly attended a fire chief conference at that time, the District was not able to provide evidence that he reimbursed the District for these costs.

Additionally, one Board member reimbursed the District for his spouse's July 2013 flight to Denver, Colorado that cost approximately \$350. The Treasurer also reimbursed the District approximately \$300 for flight costs related to a 2011 trip to Orlando, Florida, apparently for his spouse or a relative. However, the Treasurer subsequently charged additional flight and other travel-related costs totaling approximately \$690 for his spouse/relative in 2012, 2013 and 2015, and did not reimburse the District. As a result, even though the Board approved these payments, District money was improperly spent. Subsequently, as a result of our audit fieldwork, the Board contacted the former Treasurer regarding this and he reimbursed the District for the majority of these costs.

-
- Calculation errors and duplicate payment – We recalculated the travel voucher reimbursement calculations to determine accuracy and found the District overpaid three officials by \$570 due to mathematical errors. Additionally, we also found a duplicate payment was made for the costs associated with one Board member who included a \$50 baggage fee claim in his travel voucher while the baggage fees were already paid by the District on his District credit card. As a result, the District unnecessarily paid more than \$600.
 - Overpaying for lodging – GSA is a federal agency that establishes per diem rates for meal and lodging expenditures relating to government travel. These rates are used by the federal government and other government entities, including New York State.

We reviewed approximately 100 lodging related transactions in our audit period, totaling approximately \$68,000, and compared these costs to GSA rates. We found that the District could potentially have saved up to approximately \$17,000 (25 percent) if the GSA rates had been used for lodging.

Occasionally, exceptions to GSA lodging rates are warranted to accommodate special circumstances. However, the Board should periodically review GSA rates to ensure payments for the applicable costs are reasonable.

These questionable, unnecessary and improper payments occurred because Board members did not uphold their responsibilities to the District and did not ensure a strong control environment existed. Board members did not ensure the District's travel policy was comprehensive and did not have a credit card policy in place until the month prior to the beginning of our audit. The Board also did not ensure that there was evidence of its approval for meal, parking and certain phone per diems, or that travel and car rentals were pre-approved, in accordance with the District's travel policy. Further, the Board members did not adequately audit the District's claims or ensure claims included essential documentation such as receipts or statements and also did not perform periodic comparisons of lodging related costs to GSA rates.

Further, the Board did not ensure an annual independent audit was properly conducted as is statutorily required. During our audit period, the Board hired a certified public accounting firm to conduct the annual audits. However, the audits for 2012, 2013 and 2014 were not completed until March 2016, while the 2011 audit was not completed until December 2015.

As a result of the Board not fulfilling its duties, Board members were not in a position to effectively determine whether the credit card charges and claims for travel vouchers were for proper District purposes. Moreover, even when the

Board had sufficient information clearly indicating a claim was for an improper use of District money, the Board still approved the payment. Consequently, the Board used District money to pay for unnecessary and/or improper expenditures.

What Do We Recommend?

The Board should:

1. Review the improper, questionable and improperly supported payments identified in this report, with its legal counsel, to determine whether the payments were an appropriate use of District money and seek reimbursement where appropriate.
2. Review and periodically update both the credit card and travel policy to ensure they clearly indicate the proper use of District resources and ensure all appropriate District officials and staff are aware of and comply with these policies.
3. Properly audit all claims before authorizing payment. The audit should ensure that each claim has sufficiently detailed supporting information and is for a proper use of District money.
4. Ensure that all travel is properly pre-approved prior to travel, in accordance with the District's travel policy, and that the travel duration and associated costs are reasonable and necessary.
5. Properly establish and pay travel per diem rates.
6. Review payments reimbursing District officials' travel costs to ensure they are calculated correctly and are not made in duplicate.
7. Periodically compare lodging costs to current GSA rates to ensure reasonableness of costs.
8. Ensure an annual audit is conducted in a timely manner.

Appendix A: Response From District Officials

Board of Fire Commissioners BRIGHTON FIRE DISTRICT NO. 5

50 Jamaica Rd. Tonawanda, NY 14150

Board of Fire Commissioners
Louis E. Arnow, Chairman
Steven Dabney
Walter G. Byers
Patrick Langenfeld
Robert Sanford

Treasurer
Andrew Hallnan

Secretary
William McCullagh

August 30, 2019

RESPONSE: Credit Card and Travel Expenditures Audit (Jan .1, 2011 to Aug. 25, 2016)

The Brighton Fire District No.5 Board of Fire Commissioners appreciate the opportunity to respond to the OSC findings for improving proper approvals of expenditures, strategies to reduce costs when applicable, and opportunities to strengthen controls intended to safeguard our assets.

While the Board does foster and maintain an environment of great responsibility for the District's overall financial management and safeguarding (for not only it's resources but Volunteer Firefighters) we also acknowledge your Key Findings and Recommendations as valuable and relevant.

We feel the integrity of this Board has been shown, repeatedly, through actions taken prior and during the three-year long OSC Audit. And this integrity will continue with the Correction Action Plan, targeting the recommendations provided. We appreciate the thoroughness of your audit.

Initial statement

The Treasurer, who was in Office before 2011 was competent, proactive, and thorough. This Treasurer kept current with audits and activities needed to prevent any improper activity. Before his demise, the board provided our next treasurer with training, as Deputy Treasurer. When the Deputy Treasurer took over as Treasurer, the Board felt secure that the practices of the old Treasurer would continue. When the Board was initially contacted by our accounting firm that NO response to their inquiry regarding the internal annual audits was made, the Board immediately took actions to replace that Treasurer. The Board also took action to complete and send in the late audits to the State, began to change policies, regulations, and retrieve any reimbursements or receipts required from the results of those internal independent audit findings. Finally, with the help of your audit findings, we are putting ourselves in a better position to effectively manage not only the District Assets but the Treasurer/Secretary and Board Members that are elected to run it.

With that said, we do recognize the full implications of your Audit and our CAP Response will address the areas below, in greater detail. As a result, we will address and revise/create policies that will ensure proper use of District Resources by clearly indicating how and when pre-approval/authorization will take place, what sufficient documentation is needed for audits and per diem, expectations of accuracy to eliminate duplication and mathematical errors, and accountability for review and periodical updates.

The Board will focus on credit card, travel, lodging, audit/voucher documentation, and annual audits while working on the CAP response.

Conclusion Statement

The Board will undertake a review of all, questionable and improperly supported payments identified in the OSC report, with our legal counsel, to determine whether payments were appropriate use of District money and seek further reimbursement, if needed. We believe that with our past, current, and future changes being made in accordance with statutory requirements, District policies and your recommendations, The Brighton Board of Fire Commissioners will have

the tools needed to have stronger control - for which to provide better assurance that District money is used for legitimate District purposes with proper documentation.

For the Board of Fire Commissioners,

Louis E. Arnow, Chairman 2019

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 Board meeting minutes, District policies and interviewed District officials regarding the policies and procedures in place for credit card use and travel-related expenditures to determine whether per diem amounts and travel costs were pre-approved.
- We examined credit card and travel voucher payments totaling approximately \$195,000 and \$79,000, respectively, for the period January 1, 2011 through July 31, 2016 to assess whether they were paid in accordance with District policies and Board resolutions, properly approved, supported with adequate documentation, accurately calculated and were for a proper use of District money.
- We compared travel costs for lodging totaling approximately \$68,000 to GSA rates to determine whether the District could have potentially realized any cost savings.

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

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/pubs/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/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

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/localgov/index.htm

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

BUFFALO REGIONAL OFFICE – Jeffrey D. Mazula, Chief Examiner

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

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

Serving: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)