

Cortlandville Fire District

Credit Cards

JULY 2020



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

Contents

- Report Highlights 1**

- Credit Cards 2**
 - How Should the Board Ensure Credit Card Charges Are for
Appropriate District Purposes? 2

 - Certain Credit Card Charges Were Not Supported, Not for
Appropriate Purposes or Not Paid Timely 2

 - What Do We Recommend? 4

- Appendix A – Response From District Officials 5**

- Appendix B – OSC Comment on the District’s Response. 7**

- Appendix C – Audit Methodology and Standards 8**

- Appendix D – Resources and Services. 9**

Report Highlights

Cortlandville Fire District

Audit Objective

Determine whether credit card purchases were adequately supported, for appropriate purposes and paid timely.

Key Findings

- The Board approved credit card charges totaling \$18,124 without adequate supporting documentation.
- The District incurred penalty charges totaling \$393 for late payments and \$192 for interest.

Key Recommendations

- Adhere to the credit card policy and ensure that supporting documentation is provided with credit card claim vouchers prior to approving these claims for payment.
- Reconcile credit card statements to itemized supporting documentation.
- Ensure payments occur in a timely fashion to avoid incurring late fees and interest charges.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the District's response letter.

Background

The Cortlandville Fire District (District) is located in the Town of Cortlandville, in Cortland County.

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

Quick Facts

Number of District Credit Cards	7
Total Credit Card Charges During Audit Period	\$38,900
Total Credit Card Purchases from Online Vendor	\$13,497

Audit Period

January 1, 2018 - November 30, 2019

Credit Cards

How Should the Board Ensure Credit Card Charges Are for Appropriate District Purposes?

An effective credit card claims auditing process ensures that every purchase 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. 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 statements with itemized receipts, invoices and vouchers. In addition, claims should be approved in a timely fashion and ensure payments are made in full to avoid late fees and interest charges.

Certain Credit Card Charges Were Not Supported, Not for Appropriate Purposes or Not Paid Timely

The District's credit card policy, updated October 1, 2018, states that original receipts or invoices for all credit card purchases must be attached to a voucher form and submitted to the Board for payment. In addition, credit cards are to be used for business purposes only and improper or unauthorized charges by an official will be the responsibility of that official. Also, the policy states that credit cards are issued to each of the five Commissioners and the Secretary. However, during our audit period, the District had seven credit cards because the Treasurer was also issued a credit card.

We reviewed all credit card charges made during our audit period, totaling approximately \$38,900, and found that the Board approved charges totaling \$18,124 without adequate supporting documentation such as original receipts or invoices. For example, of the \$13,497 purchases made from an online retailer, \$6,979 (52 percent) did not have any accompanying receipts. We obtained the full purchase history for our audit period from this vendor and determined that the items purchased appeared to be for appropriate District purposes, and we verified that a sample of four items¹ purchased were located at either of the District's two fire stations. District officials were able to explain or provide us with supporting documentation for the remaining \$11,145 in unsupported charges. Those were for materials, supplies or meals and travel related to inspections for newly purchased fire trucks.

Included in the unsupported charges were two expenditures for a third-party accounting software add-on to manage payroll, totaling \$1,260, that did not have any supporting documentation to describe whether the add-on software was necessary. The Treasurer currently uses the base package of this software to account for District operations, which required a one-time purchase. Also, in

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¹ These items included three televisions and a photo/document scanner.

2017, the Treasurer used a fee-based subscription of the software to process payroll. However, since 2018 the District has contracted with a third-party vendor for payroll and, therefore, has not needed the payroll subscription. The Treasurer told us that the District needed the 2018 payroll subscription to file 2017 payroll reports, and the subscription for 2019 was on auto-renewal. The Treasurer also told us that the District could not secure a refund because the renewal also updated the software to the newest version.²

Each month, the Treasurer presented the credit card claim vouchers and supporting documentation from the purchasers (e.g., receipts and invoices) to the Board for audit and approval for payment. However, the Board did not ensure the Treasurer reconciled the monthly credit card statements to receipts and invoices or that all charges on the statement were supported by the claim voucher before approving credit card claims for payment. Although the Board did review the statements (which were included in the Board meeting minutes) for accuracy, it did not ensure that the detailed receipts were attached to the claims. According to interviews with Board members, when receipts were received earlier or later than the statement, the receipts were not reconciled to the corresponding statement.

Therefore, when the Board approved these expenditures for payment, it did not have sufficient information to determine whether the costs were for a proper use of District money. Potentially as a result, \$445 was spent on inappropriate gifts, including a \$100 gift card, a custom frame, an edible arrangement and a chocolate gift basket. In addition, the District incurred penalty charges totaling \$393 in late payment fees and \$192 in interest charges because the timing of Board meetings did not always allow for the claims to be approved before the payment due date.

All purchases were supported by either a claim or a credit card statement. However, District officials did not limit credit card users to those specified by the credit card policy, and the Board approved payments for credit card claims without adequate supporting documentation and without the credit card statement being reconciled. As a result, there is an increased risk that the District could pay credit card claims that are unauthorized, excessive or not for appropriate purposes and that errors or irregularities in processing and paying credit card claims could occur. In addition, purchases have been made without adhering to policies and procedures that resulted in unnecessary expenditures.

² Based on our understanding of this software, there is no charge for updates.

What Do We Recommend?

The Board should:

1. Review, and update if necessary, the terms of its credit card policy, require adherence to it, limit credit card users to those specified by the policy and ensure that supporting documentation for each purchase is provided with credit card claim vouchers prior to approving these claims for payment.
2. Ensure the Treasurer reconciles credit card statements, itemized receipts, invoices and vouchers.
3. Ensure payments occur in a timely fashion to avoid incurring late fees and interest charges.

Appendix A: Response From District Officials³

Cortlandville Fire District

Headquarters Station
999 New York State Route 13
Cortland, New York 13045
Fax (607) 758-3126
www.cortlandvillefire.org

Fire District Email: commissioners@cortlandvillefire.org

Headquarters Station
(607) 753-9014

Fire Station #2
(607) 756-2177

June 16, 2020
Unit Name: Cortlandville Fire District
Audit Report Title: Credit Cards

Audit Report Number: 2020M-57

The Cortlandville Fire District has reviewed the New York State Comptroller's recommendations outlined in Audit Report 2020M-57. For each recommendation included in the audit report, we have identified our corrective action(s) taken.

Audit Recommendation #1 – Review, and update if necessary, the terms of its credit card policy, require adherence to it, limit credit card users to those specified by the policy and ensure that supporting documentation for each purchase is provided with credit card claim vouchers prior to approving these claims for payment.

Corrective Plan of Action #1 – The Cortlandville Fire District on April 21, 2020 adopted a new credit card policy to reflect changes made at the Fire District's meeting on March 17, 2020. The new policy limits the number of card holders from seven to three members of the fire district. Those members are the Fire District Chairman, Vice Chairman and Secretary.

In response to the finding of the Treasurer possessing a credit card. The treasurer used to possess a credit card along with all the fire commissioners. The Treasurer brought to our attention he felt that was improper since he paid the bills providing for the appearance of impropriety. His card was cancelled upon his recommendation. However, when the Treasurer's credit card expired in the system, a new card was issued to the Treasurer by the credit card company. Enclosed are the Fire District's March 17, 2020 meeting minutes where a motion was made to close the three Fire Commissioners and Treasurers credit cards. Also enclosed is a letter dated March 19, 2020 that was sent to the [REDACTED] closing the credit card accounts of the Treasurer along with Commissioners James Dugan, Paul Alteri and Anthony Cincotta.

Audit Recommendation #2 – Ensure the Treasurer reconciles credit card statements, itemized receipts, invoices and vouchers.

Corrective Plan of Action #2 - The Fire District has created a new voucher form which is included in our response. Prior to the audit findings, the Fire Commissioners would review all the bills and sign off on the warrant as indication the bills were reviewed and approved for payment. Now, all receipts need to be attached to the new enclosed voucher that requires at least three Fire Commissioners to sign every

³ The District's response letter refers to attachments that support the response letter. Because the District's response letter provides sufficient detail of its actions, we did not include the attachments in Appendix A.

voucher prior to payment. Receipts for every credit card purchase shall be attached to the new style voucher, signed off by at least three Fire Commissioners prior to payment.

In regards to the finding that the District may have approved funds that were spent on inappropriate gifts. The Cortlandville Fire Department did not have a credit card. There were times that a credit card was required for purchases and the Fire District would make the purchase with the Fire Department reimbursing the Fire District. In order to eliminate any appearance of impropriety, the Cortlandville Fire Department on May 31, 2020 adopted a Credit Card policy and now will have their own credit cards which will be issued to the President, Fire Chief and Secretary of the Fire Department. This will eliminate the Fire District making initial purchases where a credit card is required. The Fire Department will now be able to make all their own purchases. Enclosed is the Fire Department's Credit Card Policy.

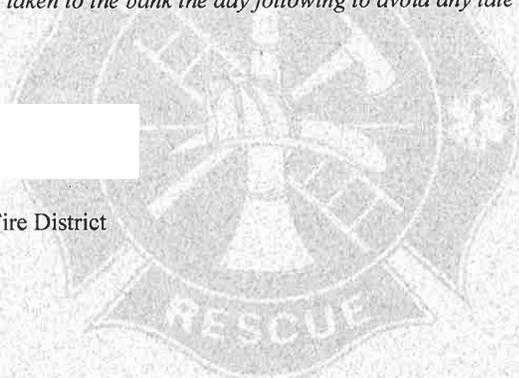
See
Note 1
Page 7

Audit Recommendation #3 – Ensure payments occur in a timely fashion to avoid incurring late fees and interest charges.

Corrective Plan of Action #3 – The Fire District meets on the third Tuesday of every month. This is when the bills are reviewed and approved to be paid. We met with the [REDACTED] on March 9, 2020 to determine how we can avoid late fees and interest charges due to our payments not arriving in time due to the timing of our meeting and payment due date. Our initial approach was to request changing when payment is due. However, at this meeting we learned we can pay the bank directly and they will apply the payment for our charges. This is identified in the enclosed credit card policy clause number 12 which states *“The credit card bill and payment, if approved at the District Monthly Meeting, shall be taken to the bank the day following to avoid any late charges and fees”*.

Respectfully Submitted,

[REDACTED]
Kevin Whitney
Chairman, Cortlandville Fire District



Appendix B: OSC Comment on the District's Response

Note 1

Aside from verbal assertions, District officials were unable to provide evidence that the purchase of gifts identified in the audit report were for, and reimbursed by, the Cortlandville Fire Department.

Appendix C: 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 Board meeting minutes, District policies and interviewed District officials regarding the policies and procedures for credit card use to gain an understanding of the District's credit card claims audit process.
- We reviewed 100 percent of the credit card charges for the District's seven credit cards incurred during the audit period to determine whether the claim vouchers were approved by the Board and whether the credit card charges were adequately supported with receipts and other documentation as required by District policy. We compared the claim voucher amounts approved by the Board to the credit card charges and determined whether all charges were for an appropriate District purpose.
- We used our professional judgement to select a sample of four items purchased from an online vendor that could have been for personal use and verified that these items were located in one of the District's two fire stations.
- We determined whether the credit card statements were reconciled to claims prior to payment approval.

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 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 D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

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

www.osc.state.ny.us/local-government/academy

Contact

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