

# Town of Seneca Falls

## Credit Card and Travel Expenditures

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SEPTEMBER 2019

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

# Contents

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- Report Highlights . . . . . 1**
  
- Credit Card Purchases and Travel Expenditures . . . . . 2**
  - How Should Officials Control Credit Card Purchases and Travel Expenditures? . . . . . 2
  
  - The Board Did Not Establish Effective Controls Over or Properly Audit Credit Card and Travel Purchases. . . . . 2
  
  - What Do We Recommend? . . . . . 5
  
- Appendix A – Response From Town Officials . . . . . 6**
  
- Appendix B – Audit Methodology and Standards . . . . . 7**
  
- Appendix C – Resources and Services. . . . . 8**

# Report Highlights

## Town of Seneca Falls

### Audit Objective

Determine whether the Board ensured that credit card and travel expenditures were adequately supported and for legitimate purposes.

### Key Findings

- The Board approved payment for 236 credit card purchases totaling \$24,416 without adequate supporting documentation.
- The former assistant recreation director used the Town's credit card to make 160 personal purchases totaling \$12,938, for which the Town incurred approximately \$3,774 in interest and finance charges.

### Key Recommendations

- Establish an adequate, written credit card policy.
- Require credit card users to submit adequate supporting documentation for card purchases, and ensure documentation is intact and reconciled to credit card statements before approving credit card claims for payment.
- Ensure credit card payments are made in full in a timely manner to avoid unnecessary interest charges or late fees.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The Town of Seneca Falls (Town) is located in Seneca County. The Town is governed by an elected five-member Town Board (Board), which is composed of four Board members and a Supervisor. The Board is responsible for the general management and control of finances, which includes establishing policies and auditing claims. The Supervisor serves as the chief executive and chief fiscal officer.

Town officials issued credit and purchase cards to certain department heads and employees to use for business purposes. In October 2017, the officials identified personal purchases made on one employee's Town-issued credit card. Subsequently, this employee signed a resignation and restitution agreement.

#### Quick Facts

Population	9,000
2018 Appropriations	\$11.8 million
2016 and 2017 Credit Card Transactions	\$140,899

### Audit Period

January 1, 2016 – March 31, 2018

# Credit Card Purchases and Travel Expenditures

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## How Should Officials Control Credit Card Purchases and Travel Expenditures?

The board is responsible for overseeing financial activities and safeguarding resources. To fulfill this duty, the board should provide appropriate oversight and monitoring, which includes establishing policies and procedures to help ensure that credit card transactions and travel costs are authorized, actual and necessary expenditures. The board must also ensure that all such claims have adequate documentation attached before approving them for payment.

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 expenditures and are in accordance with town policies. Pursuant to New York State Town Law,<sup>1</sup> no claim shall be paid until audited by the board. To properly audit credit card purchases, the board should review credit card statements and reconcile them with itemized receipts and invoices in a timely manner to avoid unnecessary costs such as interest charges or late fees.

## The Board Did Not Establish Effective Controls Over or Properly Audit Credit Card and Travel Purchases

The Board did not establish effective policies and procedures that ensured credit card claims were properly supported and for appropriate purposes. Additionally, the Board did not thoroughly review claims before approving them for payment, and instead approved payments solely based on the abstract.<sup>2</sup> The Town has one credit card account<sup>3</sup> and four purchase card accounts.<sup>4</sup>

In August 2017, Town officials identified personal purchases made on the former assistant recreation director's (assistant director) credit card. The former assistant director signed a letter of resignation and restitution agreement of \$14,253, which included interest.<sup>5</sup> In November 2017, officials engaged the Town's independent auditor to complete a review of the credit card processes and transactions.

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1 New York State Town Law, Section 118

2 The abstract is a summary of disbursements, but does not include supporting detail or additional explanation for the related purchases.

3 With eight individual cards issued in each employee's name

4 A form of company charge card that allows goods and services to be procured without using a traditional purchasing process. There were 14 purchase cards issued in the Town's name for accounts at three big box retail stores.

5 Town officials determined this amount based on a high level review of credit card transactions. Specifically, the unpaid monthly balances from the assistant director's credit card from the January 2016 through August 2017 statements were calculated based on total charges, less total payments. Officials considered all unpaid balances as personal charges in this calculation, and also calculated interest based on the average annual rate for each unpaid monthly balance.

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Historically, employees with credit and purchase cards would carry these cards on their person, or keep the cards in their office. However, following this incident the Supervisor requested that all cards be turned over to the Town Clerk for safekeeping. Currently, if an employee needs to make a purchase using a credit or purchase card, they have to sign out and return the card to the Town Clerk.

We tested all 1,020 credit card purchases totaling \$118,772 and all 209 purchase card transactions totaling \$22,308 for the period January 1, 2016 through December 31, 2017. We reviewed the monthly claims packets that included the vouchers, credit card statements and available supporting documentation.

Based on our review, we found the Board approved 236 purchases totaling \$24,416 (19 percent) that lacked adequate supporting documentation or an explanation to support the purchase as an appropriate expenditure. These types of purchases included gift cards, travel, meals/refreshments and certain purchases of tools and equipment that could have been for personal use.

Town officials and department heads were generally able to provide a reasonable explanation for these purchases. However, without adequate policies and procedures, officials were unable to determine whether all these purchases were appropriate. We also identified 45 purchases totaling \$4,305 (4 percent) that were shipped directly to an employee's personal residence. Upon further review and discussion with officials and employees, we found that these purchases may have been for a legitimate purposes and shipped to a personal residence for convenience, which is not a good business practice and could lead to fraud, abuse or misappropriation.

Further, we found 160 credit card purchases totaling \$12,938 that were personal purchases made by the former assistant director. For example, she made purchases at vendors as follows: a college/university and associated bookstore, grocery stores, restaurants, and various large online retail vendors. A clerk in the Recreation Department would review the credit card statements and mark the personal purchases she believed to have been made by the assistant director and did not include these purchases for payment on the vouchers or abstracts submitted to the Board for payment. As a result, an outstanding balance due was carried and interest accrued on these charges.

Occasionally, when employees used the credit card either purposefully or accidentally to make a personal purchase, they would make a payment directly at the bank who issued the credit card, rather than submitting a check to the Town as reimbursement for these purchases. Had the Board implemented appropriate policies and procedures to reconcile the monthly statements to the supporting documentation, these discrepancies would have likely been identified in a timelier manner.

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The credit card was also used to reserve travel accommodations for officials and employees for conferences and trainings. On several occasions, travel costs for an official or employee's family member was also reserved with the credit card with the informal understanding that the official or employee would then reimburse the Town for these expenditures. However, our review of claims for these expenditures disclosed that most lacked adequate supporting documentation to determine whether the Town was reimbursed.

In some cases, the official or employee was subsequently able to provide us with proof of reimbursement. However, because officials and employees did not keep a detailed roster of who was traveling, it is not clear which charges were for official purposes and which charges were related to a family member's travel and should have been reimbursed. The travel charges in question were related to an annual meeting and training seminars held in New York City, which totaled \$18,351 for 2016 and 2017.

Since beginning our audit fieldwork, officials and department heads began drafting a credit card policy, along with certain other related policies including travel, meals and refreshments and purchasing. While a formal Town-wide policy and procedures related to credit cards had not yet been adopted at the conclusion of our fieldwork, Town officials told us that these were subsequently adopted at the July 2018 Board meeting. The Police Department had implemented its own departmental procedure to include a purchase memorandum with all claims that lists the type of purchase, who made the purchase, what was purchased, the purpose of the purchase, vendor, date product was received, pre-approval authorization, final approval/review and the respective appropriation line item.

Because the Board approved payment for credit card claims without adequate supporting documentation and a thorough audit, there is an increased risk of paying credit and purchase card claims that were excessive or not for appropriate purposes. In addition, because a formal and thorough review and reconciliation process related to credit and purchase card transactions was not implemented, inappropriate purchases made by an employee went undetected. Further, because these inappropriate claims were not identified, the Town was carrying a balance on the credit card, resulting in accrued interest charges of approximately \$3,774.<sup>6</sup>

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<sup>6</sup> Town officials estimated \$3,091 of these charges as part of the restitution calculation that was paid by the former assistant director as part of her agreement.

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## What Do We Recommend?

The Board should:

1. Establish a formal credit card policy, which details authorized use, approval process, documentation requirements, receipt verification and relevant reimbursement processes.
2. Establish a policy for travel, meals and conferences.
3. Require adequate supporting documentation for credit card purchases.
4. Thoroughly audit credit card claims, ensuring that documentation to support credit card purchases is intact before approving claims for payment, and credit card statements are reconciled to itemized supporting documentation.
5. Ensure that credit card statements are paid in full and in a timely manner to avoid unnecessary late fees and interest charges.

## Appendix A: Response From Town Officials

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# Town of Seneca Falls

130 Ovid St. Seneca Falls NY 13165

August 28, 2019

Edward V. Grant, Jr., Chief Examiner  
Rochester Regional Office  
16 W. Main Street  
Suite 522  
Rochester, NY 14614-1608

Dear Mr. Grant,

As Supervisor for the Town of Seneca Falls, I am hereby submitting my formal response to the 2 recent OSC Audit Reports. The reports I am responding to are: 1. Credit Card and Travel Expenditures and 2. The Procurement Report. I am in agreement with the findings of both Audit Reports.

If any further information is needed please feel free to contact me at my office at the Town Municipal Building.

8/28/19

Gregory P. Lazzaro  
Town Supervisor, Town of Seneca Falls  
(315) 568-0940

## 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. To achieve the audit objective<sup>7</sup> and obtain valid audit evidence, our audit procedures included the following:

- We interviewed officials and employees to gain an understanding of the Town's credit card purchasing and claims auditing processes.
- We reviewed policies and procedures relevant to credit card purchasing and claims auditing.
- We reviewed the restitution agreement with the former assistant director for personal purchases using the credit card, to determine how the amount was calculated.
- We reviewed 100 percent of the credit and purchase card claims for the period January 1, 2016 through December 31, 2017, for the Town's credit card account and four purchase card accounts, to determine whether claims were adequately supported and/or justified, properly approved and accurately and paid on time. We also determined whether credit card statements are reconciled to claims before 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.

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 Town Clerk's office.

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<sup>7</sup> We also issued two separate audit reports, *Town of Seneca Falls – Procurement (2018M-143)* and *Town of Seneca Falls – Town Hall Capital Project (2018M-220)*.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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