

Town of Binghamton

Credit Cards and Non-Payroll Disbursements

DECEMBER 2018



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

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Report Highlights

Audit Objective

Determine whether the Board properly monitored credit card use and ensured non-payroll disbursements were adequately supported and for proper Town purposes.

Key Findings

- The Board adopted insufficient credit card and meal reimbursement policies and did not enforce the procurement policy.
- The March 2017 credit card bill included a \$288 charge for the Supervisor’s personal cable bill. In May 2018, during our audit, the Supervisor reimbursed the Town for this personal credit card charge.
- The Board approved 19 vouchers totaling over \$10,800 without sufficient supporting documentation. We also question the appropriateness of 31 vouchers totaling over \$1,300 for food, drinks and tableware.

Key Recommendations

- The Board should update the credit card and meal reimbursement policies and enforce the procurement policy.
- The Board should require adequate documentation to support all vouchers and thoroughly review the documents to determine if purchases are appropriate prior to approving vouchers.

Background

The Town of Binghamton (Town) is located in Broome County.

The Town is governed by an elected Town Board (Board), which is composed of a Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general management and control of the Town’s financial operations, including auditing claims. The Supervisor serves as the Town’s chief executive and chief fiscal officer and is responsible for performing basic accounting functions, including maintaining accounting records and safeguarding Town funds. The Supervisor hired a bookkeeper to help perform these functions.

Quick Facts

2018 Total Budgeted Appropriations	\$3.7 million
Population	4,942
2018 Total Real Property Tax Levy	\$1.6 million

Audit Period

January 1, 2016 – January 18, 2018

We extended our audit period to May 31, 2018 to determine if the Supervisor reimbursed the Town for a personal credit card charge.

Credit Cards and Non-Payroll Disbursements

How Does the Board Monitor Credit Card Use and Ensure Disbursements Are Proper?

The board is responsible for ensuring credit card use is properly controlled and monitored and all charges are for proper town purposes. To retain a reasonable level of control over credit cards, the board should adopt written policies that help ensure credit card transactions are authorized, adequately supported and necessary expenditures. These policies and procedures should identify the individuals who are authorized to use credit cards, establish reasonable dollar limits for purchases and describe the type of purchases allowed and the documentation necessary to support purchases.

The board should also have policies and procedures in place to seek competition prior to initiating a purchase or rental of equipment. The Board should audit all claims or vouchers and ensure they are adequately supported and in accordance with town policies. Claims or vouchers, including credit card charges, should include invoices or receipts with enough detail to determine what was purchased and the price charged. Finally, the Town's procurement policy requires the use of a purchase order for all purchases over \$250.

The Board Did Not Establish an Adequate Credit Card Policy or Sufficiently Monitor Credit Card Use

Town officials did not establish adequate policies and procedures over the use of the Town's credit cards. Although the Board adopted a credit card policy, it did not provide any guidance on controlling or monitoring credit card use. Further, aside from the heading, the procurement policy does not mention credit cards in the body (see Figure 1).

FIGURE 1

Purchasing/Credit Card Policy

417 Purchasing/Credit Card Policy

Policy Statement – The Town has established an official procurement policy that must be followed without exception. No employee shall make purchases for the Town, or use the Town's name to make purchases, unless so authorized by the Town Board and in adherence to the procedures set forth in these policies.

The Town had six credit card accounts with cards issued to four employees¹ during our audit period. As of January 2018, the credit card accounts had credit limits ranging from \$5,000 to \$16,400, with a combined total credit limit of \$58,900. Three of these credit card accounts had credit limits of \$10,000 or more.

¹ Credit cards are issued to the Supervisor, Highway Superintendent, Code Enforcement Officer and the bookkeeper.

These high credit limits increase the risk that significant invalid purchases could be made and remain undetected. Although the Board reviews the credit card statements monthly through the usual claims audit process, this review would not prevent an invalid purchase from occurring.

We reviewed all 72 credit card statements comprised of 114 vouchers during our audit period. The vouchers, totaling \$47,428, were all included on Board-approved abstracts. We found some charges on 19 credit card vouchers totaling \$10,841 were not supported with receipts or other supporting documentation. We determined some of the charges included on 13 of these vouchers, totaling \$6,698, were likely for appropriate Town purposes because these payments were for registrations and lodging for the annual Association of Towns meeting which three Board members attended, monthly software support charges which had receipts attached to previous monthly payments and a membership fee for a vendor from which the Town makes purchases. However, we could not determine if some of the charges on 10 of the 19 vouchers, totaling about \$3,855, were for proper Town purposes because they lacked sufficient descriptions on the vouchers. Further, one of these vouchers included a \$288 credit card charge in March 2017 for the Supervisor's personal cable bill, which the bookkeeper told us the Supervisor accidentally charged to the Town. The Supervisor reimbursed the Town for this personal cable bill payment in May 2018, during our audit.

Furthermore, 20 credit card vouchers totaling over \$1,000 for food, drinks and tableware were not covered by any Board-adopted policies, contracts or resolutions. The majority of food, drink and tableware purchases were made by the Highway Superintendent. Town officials told us that these purchases occurred during snowstorms when the road crews worked extra hours. However, some of the purchases were during the summer months. Therefore, we question the appropriateness of these disbursements.

The Board Did Not Ensure All Disbursements Were for Proper Purposes and Purchase Orders Were Appropriately Used

Although the Board properly segregated duties related to disbursements, it approved claims without sufficient supporting documentation. Therefore, we reviewed 110 vouchers totaling over \$237,400 and found all were included on Board-approved abstracts. However, we found the following deficiencies:

- 11 vouchers totaling almost \$300 for food, drinks and tableware were not covered by any Board-adopted policies, contracts or resolutions.
- One disbursement totaling \$96 for an employee's reimbursement for meal per diems may not have been a necessary Town charge because the Board already paid conference registration fees, which included some meals.

Lastly, we reviewed 19 purchases and one equipment rental payment totaling over \$59,600 and found 11 purchases totaling over \$6,600 did not have the required purchase orders per the Town's procurement policy. In addition, the equipment rental, totaling \$4,000, did not have a purchase order, written quotes or prior approval from the Board. Although not required by the procurement policy, these would be considered best practices when renting equipment. When purchases and equipment rental payments are made without a purchase order, it increases the risk that sufficient funds may not be available to pay for the goods and services and that purchases are not for proper Town purposes.

These deficiencies occurred because the Board adopted insufficient credit card and meal reimbursement policies, approved claims without adequate supporting documentation and did not enforce the procurement policy. As a result, there is an increased risk for inappropriate and wasteful disbursements to occur.

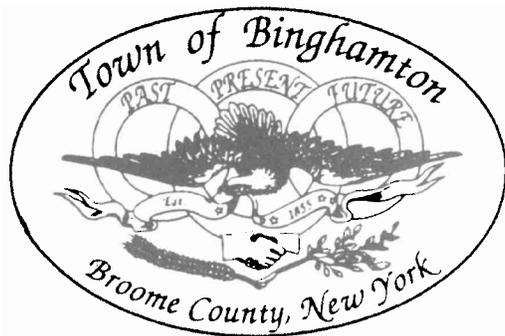
What Do We Recommend?

The Board should:

1. Follow-up on questionable disbursements and recover money for any disbursements deemed to be inappropriate.
2. Update the credit card policy² to identify the individuals who are authorized to use credit cards, establish reasonable dollar limits for purchases and describe the type of purchases allowed and the documentation necessary to support purchases.
3. Require adequate supporting documentation, including purchase orders and detailed invoices or receipts, for all vouchers and thoroughly review the attached documentation before approving vouchers for payment to ensure they are for proper Town purposes and are in accordance with the procurement policy.
4. Review and update the meal reimbursement policy to clarify per diem reimbursements will not be paid when meals are included in the approved conference registration fees.

² See <http://osc.state.ny.us/localgov/costsavings/creditcard.htm> as a reference for adopting a strong credit card policy.

Appendix A: Response From Town Officials



Town of Binghamton

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November 12, 2018

Office of the State Comptroller – Room 1702
Division of Local Government
44 Hawley Street
Binghamton, NY 13901

Attn: [REDACTED]

Re: Town of Binghamton Audit

Dear [REDACTED]

This will acknowledge receipt, on October 5, 2018, of the report of the examination of the accounts for the Credit Cards and Non-Payroll Disbursements for the Town of Binghamton – Broome County for the audit period of January 1, 2016 through January 18, 2018 with the extension period through May 31, 2018.

We are in agreement with the report as a whole with one exception. This exception being the report states a “purchase totaling \$4,000.00 paid to a vendor for equipment did not have a purchase order, written quotes or prior approval from the Board, as required by the procurement policy.” This was not a purchase of equipment, however, a rental of a piece of machinery for a water project. Upon review of this concern, we did an investigation and determined an invoice was attached to the voucher for rental payment of this piece of equipment. We would appreciate some clarification on whether this was cited due to the fact the cost was \$4,000.00 or was that it was perceived as a purchase rather than a rental of the equipment.

See
Note 1
Page 6

As for the recommendations as listed on page 6 of the draft audit report for the Board, the Board has begun to formulate policies and procedures to comply with the identified concerns as stated. Our Corrective Action Plan (CAP) will detail these policies and procedures with specificity. This report will be forthcoming within the next several weeks.

Yours truly,

Timothy P. Whitesell,
Town of Binghamton Supervisor

Appendix B: OSC Comment on the Town's Response

Note 1

This was cited due to the significance of the disbursement made (\$4,000) without a purchase order, written quotes or prior approval from the Board. We have amended our report to clarify that this was indeed an equipment rental payment and not a purchase subject to the Board's procurement policy.

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 interviewed Town officials and employees and reviewed the Board meeting minutes and policies to gain an understanding of the process for non-payroll disbursements, including the audit of claims.
- We selected all 114 credit card vouchers in our audit period totaling \$47,400 and traced those payments to supporting documentation and Board-approved abstracts to determine whether they were supported, for proper Town purposes and Board-approved.
- We selected all 71 check images from the month of December 2017 totaling \$233,700 and traced those payments to supporting documentation and Board-approved abstracts to determine whether they were supported, for proper Town purposes and Board-approved.
- We selected all non-payroll disbursements paid to the Supervisor (two), bookkeeper (five) and petty cash (19) and judgmentally selected five mileage reimbursements, three clothing allowance reimbursements and five other employee reimbursements for a total sample of 26 vouchers totaling \$3,700. We traced those payments to supporting documentation and Board-approved abstracts to determine whether they were for proper Town purposes and Board-approved.
- We judgmentally selected 19 purchases and one equipment rental payment totaling \$59,600 between \$250 and \$9,999 to determine whether they had purchase orders, written quotes and prior Board approval.
- We judgmentally selected all utility bills on the Board-approved abstracts for June 2016, November 2016, January 2017 and July 2017 and reviewed the associated vouchers to determine whether they were supported and for Town properties and purposes.
- We reviewed the bank statements for January 2016 through December 2017 and reviewed all bank and wire transfers to determine whether they were for proper Town purposes.
- We judgmentally selected Board-approved abstracts for November 2016 through February 2017 and reviewed the check sequence to determine whether there were any checks that were not Board-approved.
- We compared all check numbers and amounts that cleared the bank to the check numbers and amounts listed in the accounting system for August 2017 through December 2017 to determine whether all checks that cleared the bank were properly recorded.

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.

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.

Appendix D: 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/lgli/pdf/cybersecurityguide.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

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