

Baldwin Fire District

Credit Card and Travel Expenditures

JUNE 2018



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

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Report Highlights

Baldwin Fire District

Audit Objective

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

Key Findings

- Of the 279 credit card purchases made during our audit period, 80 totaling \$16,909 did not have adequate supporting documentation attached to the claims.
- Two commissioners purchased vacation packages, for a conference in Florida, totaling \$5,982 and charged an additional \$1,095 for meals even though they received meal per diem allowances prior to the trip.

Key Recommendations

- Ensure that credit card charges are adequately supported and necessary.
- Seek reimbursement for all unnecessary meal expenditures and all personal expenses.
- Ensure that meals are not charged to District credit cards for individuals who receive per diem meal allowances.

District officials generally agreed with our recommendations and indicated they have taken, or plan to take, corrective action.

Background

The Baldwin Fire District (District) is located in the Town of Hempstead in Nassau County. The District is governed by an elected five-member Board of Fire Commissioners (Board) who are responsible for the District's overall financial management and safeguarding its resources.

The Board appoints a Treasurer who acts as the chief fiscal officer and is responsible for the receipt and custody of District funds. The Treasurer also serves as the District Secretary. The District employs an administrator who manages the day-to-day operations.

The District's budget is funded primarily by real property taxes.

Quick Facts

2017 Budgeted Appropriations	\$4.8 million
Credit Card Purchases During Audit Period	\$71,698
Travel Expenditures Included in Credit Card Purchases	\$50,840

Audit Period

January 01, 2016 - March 31, 2017

Credit Card Purchases and Travel Expenditures

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 are authorized and adequately supported, that travel costs are substantiated and are actual and necessary expenditures. The board must also ensure that all claims are adequately supported and are necessary expenditures before approving them for payment.

The District's credit card policy states that credit cards may be used to pay only a valid expenditure; credit cards cannot be used to pay for personal expenses. The use of a credit card for personal use is considered a policy violation. The policy further states that all credit card purchases must be supported with itemized receipts and for purchases that relate to meals, a list of personnel in attendance at such meals must be provided. In addition, the District's travel procedures require that the federal per diem rate for meals be paid to officials when traveling on business and any expenditures incurred over the per diem rate will be the individual's responsibility.

The Board Inappropriately Approved Vacation Packages and Meal Expenditures Despite Travelers Receiving Meal Allowances

District officials made 279 credit card purchases totaling \$71,698¹ during our audit period – 180 purchases (\$50,840) for travel expenditures and 99 purchases (\$20,858) for non-travel expenditures. Of the 279 credit card purchases, 80 totaling \$16,909 did not have adequate supporting documentation. These claims were approved for payment by the Board without itemized receipts to support the purchases.

District officials also made payments by checks for 30 travel-related transactions totaling \$6,426. This included \$4,546 for meal per diems and \$1,880 for other travel expenditures such as conference registration and airfare.

Florida Conference Travel – Three Board members attended a conference in Orlando, Florida, scheduled for January 16 to 18, 2017. Two Board members incurred a combined cost of \$5,982 at a nearby resort for lodging expenditures. The District's travel procedure is to have the District administrator make travel arrangements for conferences. District officials told us that the administrator did not make the travel arrangements for this trip. Instead, the trip was booked through a travel agency. An invoice from the travel agency identified the two

¹ Four purchases totaling \$2,706 were paid for by using points earned on the District's credit card.

Board members, one with a resort stay from January 14 to 19 for \$3,230 and the second with a resort stay from January 14 to 18 for \$2,752. The invoice, attached to the credit card statement and the claims, was approved by the Board. However, the invoice was not itemized and did not provide any other information regarding these charges. The Board member, who attended the conference from January 15 to 18, used the conference-recommended hotel and paid total lodging expenses of \$489 (a conference rate of \$145 per night plus tax).

We requested that the District obtain itemized receipts for the resort charges. The District administrator obtained two emails from the travel agency which identified the resort package cost of \$3,230 and \$2,752 for the two Board members and their spouses. The resort website indicates that the package includes hotel accommodations and tickets to theme parks. Instructions for the District's expenditure form states that theme park charges are not covered travel expenditures. As of the end of fieldwork, District officials had not provided the itemized receipt for these charges.

We asked both Board members why they stayed at a hotel that cost almost four times the conference-recommended hotel, and both told us that they were not aware of the hotel's cost. However, the invoice showing the total hotel cost was attached to the previous month's credit card bill, as support for a \$200 deposit, which the Board approved. In addition, when we asked about staying additional days beyond the conference both Board members told us that they decided their travel dates.

In addition, these two Board members received meal per diems² prior to departing for the conference. According to District policy, any meal expenditures incurred above the per diem are the traveler's responsibility. However, they purchased meals totaling \$1,095³ using the District's credit card during their resort stay, which should not have been paid for by the District. After we brought the questionable expenditures to their attention, the two Commissioners reimbursed the District a combined total of \$5,004 for the resort lodging and \$546 for meal expenditures in December 2017.

Meal Per Diem – The Board adopted the federal per diem rate for meals for personnel travelling on District business. No receipts are required after travel is completed. The traveler is responsible for any expenses incurred over the per diem allowance.

2 The per diem is a daily meal allowance determined by the travel location.

3 A total of \$733 was charged to one Board member's credit card and \$362 was charged to the other.

District personnel were paid \$4,546 during our audit period for meal per diem allowances. Nonetheless, District officials charged 13 meal purchases totaling \$3,935⁴ when travelling even though they were given the per diem for meals prior to travel. For example, a Board member charged a meal to his credit card for \$1,644 at a conference and the following day charged another meal while at the same conference for \$1,097. No itemized receipts were attached. All six individuals travelling to this conference were given meal per diems prior to travel. Therefore, the meals should not have been charged to the District's credit cards, because all meal expenses beyond the per diem allowance were the traveler's responsibility.

Non-Travel Credit Card Expenditures Did Not Comply With District Policies and Were Not Adequately Supported

District officials must ensure that all credit card purchases comply with District policies. Of the \$20,858 credit card purchases that were not travel-related, \$5,594 were not adequately supported with itemized receipts. In addition, non-travel related credit card purchases totaling \$12,144 did not comply with other applicable District policies and the credit card policy.

Quotations – District officials did not comply with the Board-adopted purchasing procedures when using the credit card to make purchases that required competition. The District made seven charges totaling \$8,233 without evidence that the District sought competition prior to payment. The purchasing procedures require three written quotes for purchases between \$1,000 and \$4,999 and documentation of three verbal quotes for purchases between \$500 and \$999. For example, District officials purchased a television for \$1,800 without the required three written quotes. The Board also approved the claim to pay for the television without receipts attached to the claim.

Meals – The District does not have a policy for meals that are not associated with business travel. The credit card policy states that all credit card purchases related to meals must be supported by an itemized bill with a list of personnel in attendance at such meals. District officials paid \$2,325 for meals charged to the credit cards, of which \$1,448 were not supported with itemized receipts and did not include a list of those in attendance. For example, the Board spent \$706 for a meal at a local restaurant without a receipt, list of attendees or documenting the meal's purpose. District officials told us that the meal was purchased for officials that dined out after a Board meeting. Without a detailed receipt, list of attendance and a documented purpose for the meal, there is no assurance that the meal was a necessary District expenditure, that only District officials were in attendance and that unauthorized expenditures, such as alcohol, were not purchased.

⁴ Eight of these 13 purchases totaling \$1,095 were made by the two Board members who stayed at the resort. In December 2017, after we completed fieldwork, they repaid \$546 of the \$1,095.

Miscellaneous Expenses – The credit card policy requires that all credit card purchases be supported with receipts issued at the time of payment and itemized bills from the vendor of the goods and services. We found \$1,586 of unsupported miscellaneous credit card purchases that were not travel related. For example, from January through October 2016 recurring monthly charges of \$36.99 which increased to \$39.99 from November 2016 through March 2017 totaling \$570 were made to a Board member’s credit card. The credit card transaction description was listed as AOL service. No receipts or invoices were attached and the District administrator was not aware of what the charge were for. The Board member does not have a District-owned computer or device. The Board member told us that he thought the charges were to maintain his email account. However, an AOL email account is available for free. We also noted that no receipts were attached for any of the 29 charges totaling \$4,447 (including the 15 charges for the monthly AOL service) charged to this Board member’s credit card. Other charges included three purchases from a flower shop totaling \$330 and two purchases from a hardware store totaling \$266 without any receipts.

When claims for credit cards are paid without adequate supporting documentation to determine the purposes of the credit card purchases and travel-related expenditures, there is no assurance that funds were expended for legitimate District purposes. In addition, purchases made without adhering to policies and procedures resulted in the District paying more than necessary and incurring unnecessary expenditures.

What Do We Recommend?

The Board should:

1. Develop procedures to ensure officials are aware of District policies, and to monitor and enforce compliance with the purchasing policy, credit card policy and travel procedures.
2. Ensure that all credit card charges are adequately supported and necessary before approving payments.
3. Seek reimbursements for all meal expenditures incurred for conferences where officials were given meal per diems.
4. Ensure that meals are not charged to credit cards for individuals who are given a meal per diem.

District officials should:

5. Ensure that sufficient supporting documentation is attached to each credit card claim that is submitted to the Board for approval.
6. Ensure that credit card users include a list of officials in attendance for meal expenditures along with itemized receipts and documentation for why the meal is necessary.

Appendix A: Response From District Officials



BALDWIN FIRE DISTRICT

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May 28, 2018

Ira McCracken, Chief Examiner
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

RE: Baldwin Fire District
Report of Examination 2018M-27

Dear Mr. McCracken:

On behalf of the Board of Commissioners of the Baldwin Fire District, I am writing to acknowledge the receipt of the Draft Report of Examination which covered the time frame of January 1, 2016 through March 31, 2017. The Board of Commissioners realizes that an audit is a collaborative effort to help identify opportunities for improving operations and governance of the District.

The Board and District officials have reviewed your report and have begun implementing your recommendations. To date the Board has reviewed and updated the purchasing, credit card and travel policies to insure all purchase are adequately documented and supporting documentation is attached to each credit card claim submitted for approval. District staff will review all credit card claims and insure compliance with the revised policies.

The District is working on and will submit a Corrective Action Plan (CAP) in accordance with the ninety-day requirement.

On behalf of the Board, I wish to convey our appreciation for the time and effort your staff put toward our examination, as well as assisting in the implementation of the recommendations.

If you have any questions concerning this letter please contact the District Administrator at (516) 223-7670.

Sincerely,

 Paul Yanantuono
Chairman

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 interviewed District officials to gain an understanding of internal controls over credit card purchases and travel expenditures.
- We reviewed the District's policies and written procedures related to credit card purchases and travel expenditures.
- We reviewed all credit card transactions during our audit period to determine the adequacy of supporting documentation, necessity of credit card charges and compliance with credit card policy.
- We reviewed travel claims paid by check during our audit period and tested for adequacy of supporting document, validity and necessity of travel expenditures and compliance with the District's written travel procedures.
- We followed up with District officials to obtain more information on certain expenditures and claims that were missing supporting documentation.
- We examined all credit card purchases over \$500 to determine if they were in compliance with the District's purchasing policy, when applicable.

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.

Samples were not used for testing. Rather, we tested the entire population. We presented information related to the value and/or size of the entire population.

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#lgmg

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

Office of the New York State Comptroller
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