



Bethpage Fire District

Credit Card and Travel Expenditures

Report of Examination

Period Covered:

January 1, 2015 – July 31, 2016

2017M-50



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2017

Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Fire Commissioner governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Bethpage Fire District, entitled Credit Card and Travel Expenditures. This audit was conducted 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.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Bethpage Fire District (District) is a district corporation of the State, distinct and separate from the Town of Oyster Bay and Nassau County in which it is located. The District covers approximately eight square miles and provides fire protection and emergency rescue services to over 7,800 homes. The District's 2016 general fund appropriations were about \$4.6 million, funded primarily through real property taxes.

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 and a Secretary. The Treasurer is the chief fiscal officer responsible for the receipt and custody of District funds, which includes depositing and disbursing funds, maintaining financial records and preparing monthly and annual financial reports. The Secretary is responsible for having custody of all District records, processing travel expenditures and recording the Board minutes. The District also employs a supervisor who manages the District's day-to-day operations, which includes overseeing purchasing and assembling claims with supporting documentation for Board review.

Objective

The objective of our audit was to examine the District's credit card and travel expenditures. Our audit addressed the following related question:

- Did the Board ensure that credit card and travel expenditures were adequately supported and necessary?

Scope and Methodology

We examined credit card and travel expenditures for the period January 1, 2015 through July 31, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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 the relevant population size and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials

generally agreed with our recommendations and indicated that they planned to initiate corrective action.

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. The Board should make the CAP available for public review in the Secretary's office.

Credit Card and Travel Expenditures

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, which include policies and procedures, to help ensure that credit card transactions are authorized and adequately supported and that travel costs are substantiated and are actual and necessary expenditures. District officials must ensure that supporting documentation is attached to each claim before submission to the Board for audit. The Board must ensure that all claims are adequately supported and are necessary District expenditures before approving them for payment.

The Board needs to improve its policies and procedures over credit card use and travel related expenditures to ensure that all such expenditures are adequately supported and for necessary District purposes. District officials used credit cards to pay for 266 purchases totaling approximately \$88,100 during the audit period, including 100 charges totaling \$28,500 for travel and conferences and 166 charges totaling \$59,600 for various miscellaneous purchases. In addition, District officials also disbursed seven checks totaling \$2,850 for travel expenditure reimbursements.

We found that credit card charges totaling \$32,860, which appear to be for proper District purchases, were either not adequately supported or did not comply with the District's purchasing policy. In addition, credit card charges for conferences totaling \$6,185 were not supported by proof of attendance and District officials paid travel credit card charges for meals for individuals who were not authorized by the Board to travel. As a result, District officials do not have adequate assurance that credit cards are used in accordance with the Board-adopted policies and there is a risk that District credit cards could be used for unauthorized purposes.

Credit Cards

The Board adopted a credit card policy, which authorized seven credit cards, one for each Board member, the Secretary and the supervisor. The policy requires submission of original receipts for credit card charges. When the supervisor receives the monthly credit card statement, he attaches the receipts received from the cardholders. Purchases made on the District's credit cards are also subject to the District's purchasing policy, which requires obtaining two verbal quotes for purchases costing from \$2,000 to \$4,999 and two written quotes for purchases costing from \$5,000 to \$9,999.

We reviewed all 166 miscellaneous credit card charges¹ totaling \$59,664 paid during our audit period to determine whether they were adequately supported and necessary District charges.² While these credit card charges (for such items as supplies, equipment and fuel) appeared to be for proper District purchases, 45 charges totaling \$8,029 were not properly supported, for example, by itemized receipts. Six charges for purchases totaling \$24,831 did not comply with the purchasing policy.³ For example, one purchase of five medicine safes totaling \$8,500, made with a District credit card, was not supported by two written quotes attached to the claim, as required by the policy. The supervisor told us that he consulted with other fire district officials who had used this particular safe model, which had special security features that the District required, and could not find on other models. However, no documentation was available indicating whether the supervisor compared prices or products before making this purchase.

In another instance, the District made three credit charges totaling \$7,721 for various lighting fixtures and wiring from an electrical supplier without obtaining two quotes. District officials subsequently provided documentation showing us that some of these items cost less from this supplier than from a New York State Office of General Services (OGS) preferred source.⁴ Although these charges appeared to be for necessary expenditures, the supervisor failed to attach required documentation to the claims and did not adhere to the purchasing policy.

When claims for credit card charges are paid without sufficient documentation attached, the chances of an unauthorized expenditure increases. In addition, purchases made on a credit card without adhering to the purchasing policy could result in the District paying more than necessary.

Conference and Travel Expenditures

General Municipal Law allows fire districts to pay for actual and necessary expenditures for travel costs incurred for attendance at conferences or conventions by authorized officials, employees or officers. It is important that the Board adopt and enforce formal policies that give clear and specific guidelines with respect to attendance and associated costs for conferences or conventions to minimize the risk of excessive expenditures of public funds. For example, as a good business practice individuals who attend conferences should be required to attach proof of attendance to their travel expenditure reports before reimbursements are made.

¹ We excluded 100 charges totaling \$28,500 for conference and travel related credit card charges from our review (See, Conference and Travel Expenditures).

² See Appendix B for more information on our methodology.

³ Five of these purchases totaling \$16,331 were not adequately supported.

⁴ More information on preferred sources is available at: <https://nyspro.ogs.ny.gov/content/buying-preferred-source-0>

A travel policy should include a list of related expenditures, which are typically reimbursable, such as lodging, mileage allowances and meal expenditures or a per diem meal allowance. The policy should identify required documentation, including original receipts and certification of conference attendance, to be submitted to support travel expenditures and the timetable for submission of this documentation.

The Board-adopted travel policy states that it must authorize travel at least 30 days before any training, conference or convention. Travelers are required to submit a travel expense report accompanied by all necessary receipts for related travel expenditures (e.g., lodging, transportation, meals and tolls). The policy also prohibits meal reimbursements that exceed \$100 per day per person. Finally, the policy stipulates that personnel electing to travel and attend events at their own expense without Board authorization will not be considered to be on official business.

We reviewed 82 travel expenditures totaling \$21,238 (including \$18,388 paid by credit card and \$2,850 paid by check) for meals, lodging, registrations and transportation for six overnight trips during the our audit period.⁵ We found that 11 travelers did not attach proof of conference attendance to their travel expenditure reports, for which the District paid registration fees totaling \$6,185. In addition, in seven separate instances meal expenditure receipts totaling \$1,625 included individuals who were not authorized to travel by the Board. For example, one receipt indicated that meals were purchased for eight individuals, but only five were authorized by the Board to travel.

District officials indicated that the additional individuals on these six charges were vendors from the fire convention, Department members who traveled at their own expense or personnel from other fire districts. However, when proof of attendance is not attached to travel claims, District officials have no assurance that travelers attended the convention, training or conference. In addition, when the District pays for meals for unauthorized personnel, they expend more than necessary for meals.

Recommendations

The Board should:

1. Ensure that expenditures are adequately supported and necessary before approving them for payment.
2. Develop procedures to monitor credit card use and enforce compliance with the purchasing and credit card policies.

⁵ We excluded 25 charges totaling \$10,127 in registration and airline fees for conferences occurring after our audit period.

District officials should:

3. Ensure that sufficient supporting documentation to substantiate each purchase is attached to each credit card claim before submission for payment.
4. Obtain and attach proof of attendance at conferences for each authorized District traveler.
5. Ensure that meal and travel expenses are for authorized District personnel.
6. Consider pursuing reimbursement for the unauthorized meals, travel expenditures and conference registration fees (without proof of attendance) identified in this report.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

Bethpage Fire District

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Room 3A10
Hauppauge, New York 11788-5533

Re: Bethpage Fire District
Credit Card and Travel Expenditures
2017-M-50

Dear Mr. McCracken:

This communication represents the Bethpage Fire District's response to the preliminary draft audit findings prepared by your office dated May 3, 2017. The Board of Fire Commissioners would initially like to commend the staff assigned to this audit for their professionalism and concern to improve the efficiency and accountability in governmental operations.

Your staff reviewed Fire District operations and expenditures for the period from January 1, 2015 to July 31, 2016. The examination of Fire District credit card purchases for the period revealed certain expenditures which were not documented to the satisfaction of your office. After discussion with Fire District officials, your staff confirmed that all of the expenditures were for legitimate Fire District purposes. In order to add clarity to the Fire Districts credit card purchasing the Fire District will refine its Credit Card Policy to stress and mandate that appropriate documentation is appended to all credit card vouchers. The Treasurer and District Supervisor will review all credit card vouchers to insure compliance with the amended policy.

Your report also detailed expenditures that did not comply with the Fire District's procurement policy [namely obtaining the proper quotes]. Again, there was no question that the expenditures were for legitimate Fire District purposes. The Fire District officials provided information to your personnel why quotes were not procured and in the future such information will be appended to the voucher package.

As to your recommendation concerning the failure of fire departments members to provide proof of attendance for the conferences that they actually participated in the Board will amend its travel policy to require that fire department officials provide proof of attendance for conferences when available.

The Fire District explained to you that the meal expenditures for individuals not authorized to travel were for fire department members who were attending the training at their own expense. The Board felt that it was appropriate to pay for their meals under the circumstances that they were enhancing their firefighting skills. In the future the Board will document this type of action after the convention by placing the names in the minutes and approving same.

If you have any questions concerning this matter kindly contact the Fire District Treasurer at (516) 933-6300 Ext. #3006.

Yours truly,

Dennis Holz
Chairman of the Board

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective and obtain valid audit evidence, we performed the following procedures:

- We reviewed District policies and interviewed District officials to determine the procedures in place for credit card use and travel expenditures.
- We reviewed all 166 miscellaneous credit card charges paid during our audit period to determine whether these charges were adequately supported in accordance with the credit card policy, necessary District expenditures and made in accordance with the District's purchasing policy.
- We reviewed all 75 credit card charges for travel incurred during our audit period and all seven claims for check disbursements paid to individuals for reimbursement of travel expenses to determine whether the trips were adequately supported in accordance with the District's travel policy. We excluded from our review the 25 credit card charges (for conference registrations and airline fees) for which travel was incurred after the audit period.
- We followed up with District officials about any discrepancies and reviewed any documentation that were subsequently provided.

We conducted this performance audit in accordance with 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.

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