



Rapids Fire Company

Credit Cards

2023M-86 | September 2023

Contents

- Report Highlights 1**

- Credit Cards 2**
 - What Are Authorized, Supported and Appropriate Credit Card Purchases? 2

 - Credit Card Purchases Were Not Always Authorized, Supported or for Appropriate Company Purposes. 3

 - What Do We Recommend? 5

- Appendix A – Response From Company Officials 7**

- Appendix B – Audit Methodology and Standards 8**

- Appendix C – Resources and Services 10**

Report Highlights

Rapids Fire Company

Audit Objective

Determine whether the Rapids Volunteer Fire Company (Company) credit card purchases were made by authorized users, supported and for appropriate Company purposes.

Key Findings

Credit card purchases were not always made by authorized users, and 762 purchases totaling \$110,938 (97 percent of the credit card charges made during the audit period) lacked documentation to support the purchases, confirm whether the purchases were received, and/or determine whether the purchases were for appropriate Company purposes. In addition:

- The President did not enforce the credit card policy (Policy) or bylaws, and the members did not perform a review of credit card purchases.
- The Treasurer did not perform the duties outlined in the Policy.
- Officials allowed an individual that was not authorized to use a Company credit card to make 19 purchases totaling \$3,000 for the Company.
- Officials paid \$969 in New York State (NYS) sales tax even though the Company is tax-exempt.
- We could not locate a virtual reality headset (\$299) to confirm it was in the Company's possession and although a toolbox (\$165) could not be located at the time we conducted our testing, the President later told us he located the toolbox at Station 2 and presented the toolbox to us.

Key Recommendations

- Update, communicate and enforce the Policy and bylaws.
- Ensure Company credit cards are only used by authorized users.
- Ensure credit card purchases are supported and conduct a thorough review of the purchases prior to payment.

Officials agreed with our recommendations and have indicated they plan to initiate corrective action.

Background

The Company is a not-for-profit organization providing fire protection services to the Towns of Lockport and Royalton in Niagara County and the Town of Clarence in Erie County.

The Company is composed of volunteer members and is governed by its bylaws and an elected eleven-member Executive Board (Board). The Board consists of a President, Vice President, Recording Secretary, Corresponding Secretary, Treasurer, Chief, Deputy Chief, Emergency Medical Services (EMS) Captain and three Directors.

The Board is responsible for managing and overseeing the Company's financial activities. The Treasurer is responsible for issuing, accounting for, monitoring, retrieving and overall compliance with credit cards. The President, or the Vice President if the President is absent, is responsible for enforcing the bylaws, rules and regulations.

Quick Facts

Number of Company Credit Cards	12
--------------------------------	----

Audit Period Credit Card Charges

Total Made/Reviewed	\$113,962
---------------------	-----------

Total Unsupported	\$110,938
-------------------	-----------

Audit Period

January 1, 2021 – January 17, 2023

Credit Cards

What Are Authorized, Supported and Appropriate Credit Card Purchases?

Authorized, supported and appropriate credit card purchases are those that are made by authorized credit card users and are accompanied by documentation to support the purchase details, proper purpose for the purchase, and proof that the purchase was received.

To ensure credit card purchases are authorized, supported and appropriate, the governing board and officials must establish policies and procedures communicating expectations and requirements. Credit card users should be required to provide documentation such as original receipts and/or itemized invoices to support each purchase, and packing slips or an attestation to support that the goods or services purchased were received. The governing board or its designee(s) should review each transaction and correlating documentation to ensure transactions were initiated only by authorized credit card users; are properly supported, including itemized invoices/receipts and packing slips, are for a legitimate business purpose; and do not include unnecessary fees or taxes. The governing board or its designee(s) should also reconcile each transaction on the credit card statement to supporting documentation before approving payment of the credit card bill each month.

The Board-adopted Policy identifies the individuals authorized to use Company credit cards and establishes the procedures to be followed by those users. Specifically, users are required to prepare and sign a Company credit card voucher (voucher) monthly that contains a description of the item(s) purchased in that month, purpose of the purchase, purchase date, vendor name, dollar amount for all charges and attachments such as receipts. The Policy requires all users to obtain a receipt any time a purchase is made using the credit card and submit vouchers by the 5th of each month. If a receipt is not obtained, the purchaser shall include a statement explaining why a receipt was not obtained.

The Policy requires the Treasurer to review each transaction on the credit card statement, including the items purchased and the vendor purchased from, to determine whether the purchase was made for official use and in accordance with policies and procedures. If the Treasurer questions any purchases, the Treasurer should investigate and resolve the issue with the card user and report the findings to the Board. The Policy also states that the Board may conduct random audits for “card activity and receipt retention as well as statement review.” Any card users who use a Company credit card in a manner contrary to the Policy shall be subject to disciplinary action, as deemed appropriate by the Board, including but not limited to verbal counseling, written reprimand, termination of purchasing duties, reimbursement to the Company for unauthorized expenditures, suspension and termination. Upon termination of office or membership, a user

The Policy requires the Treasurer to review each transaction on the credit card statement, including the items purchased and the vendor purchased from, to determine whether the purchase was made for official use and in accordance with policies and procedures.

shall relinquish their credit card at the time of separation and the Treasurer shall be responsible for immediately deactivating the users card.

The Company's bylaws state that the Treasurer will pay all bills audited and approved by the members and that an auditing committee, among other committees, will be established each year and/or as necessary by the President and/or Chief.

Credit Card Purchases Were Not Always Authorized, Supported or for Appropriate Company Purposes

The Treasurer made payments for all 858 credit card purchases made during our audit period totaling \$113,962 without requiring support for the purchases. Of the 858 purchases made, 762 totaling \$110,938 (97 percent) did not have the required monthly voucher to support the purchases made and/or proper supporting documentation to confirm whether the purchase was received and for an appropriate Company purpose. Specifically:

- 747 purchases totaling \$108,196 did not have a packing slip attached or an attestation to confirm the items purchased were received by the Company. We could not locate a virtual reality headset (\$299), and although we could not locate a toolbox (\$165) at the time we conducted our testing, the President later told us he located the toolbox upstairs at Station 2 and presented the toolbox to us.
- 133 purchases totaling \$19,943 were not supported with receipts or documentation stating the reasons for not obtaining and providing receipts, as required.
 - 123 of these purchases totaling \$17,530 lacked support to confirm they were for an appropriate Company purpose, including 75 purchases totaling \$9,461 for which required vouchers were not submitted to support the purchase and 48 purchases totaling \$8,069 for which vouchers were submitted that lacked detail to determine whether the purpose of the purchase was appropriate.
 - The remaining 10 purchases totaling \$2,413 were made through specific fire protection equipment vendors.

We followed up with officials and/or reviewed relevant information for 30 purchases totaling \$5,709 out of the 123 purchases totaling \$17,530 that lacked supporting documentation and determined that they were for a legitimate Company purpose.

- 129 purchases contained NYS sales tax charges totaling \$969.

The Board-adopted Policy did not require credit card users to provide packing slips or attestations confirming receipt of items as support for their purchases or provide guidance to users for making tax-exempt purchases. However, requiring evidence that goods and services are received prior to payment reduces the risk of paying for goods and services not received by the Company. Also, because the Company is tax-exempt, incurring unnecessary costs for sales tax is a form of wasteful spending.

In addition, 19 purchases totaling approximately \$3,000 were made by the Company's former President. Although the individual's term ended in December 2021, he continued to have access to and use a Company credit card until we discussed this with the Treasurer and current President in November 2022, and the individual's credit card access was rescinded. Officials could not provide a valid explanation for allowing the former President to continue using a Company credit card. Although the former President's card should have been deactivated as soon as his term had ended, all the items he purchased were found to be for appropriate Company purposes.

The Treasurer did not investigate or follow up on any noncompliance with the Policy such as users not submitting signed vouchers with receipts for purchases. Although the Treasurer stated he completed reviews monthly with another Board member, these reviews were never documented and there was no evidence that follow-ups on any issues identified were complete. For example, there were no reviewer initials or signatures on the voucher forms or documentation indicating the Treasurer followed up with individuals for noncompliance. The Treasurer told us in the past he has reminded users to supply additional support; however, he has not followed up or requested the Board to help enforce the Policy.

These deficiencies occurred in part because officials, including the President, did not enforce or effectively communicate the Policy or the sections of bylaws requiring bills to be audited and approved by members before payment. In addition, although the bylaws give the President the authority to establish an auditing committee, one was not established. The President stated that he had not received any requests from the membership to implement an audit committee. In addition, the President told us that he was not aware credit card bills were required by the bylaws to be audited and approved by the members before payment, and that the Policy was not being enforced. Two Board members also stated they thought that all aspects of credit card purchases were the Treasurer's responsibility, because the Board had not previously provided oversight of credit card usage or reviewed credit card bills.

Because the Treasurer did not perform duties required of them by the Policy, and the President did not enforce and effectively communicate the Policy or bylaws, credit card bills were paid without supporting documentation or a complete review and resulted in the Company incurring unnecessary costs. Without a

proper review and approval of credit card purchases and adequate supporting documentation, Company officials cannot confirm all purchases were appropriate, authorized, supported or received for Company use. The Company also increased the opportunity for fraud, waste and abuse by allowing an unauthorized user to maintain a Company credit card.

What Do We Recommend?

The Board should:

1. Review and update the Policy to require packing slips or an attestation to support that the goods or services purchased were received and detail the tax-exempt status of the Company and steps to be taken for tax-exempt purchases.
2. Ensure credit card purchases are thoroughly reviewed by the members in accordance with Company bylaws.
3. File the necessary paperwork to recoup all sales tax paid on credit card purchases from the NYS Department of Taxation and Finance.
4. Obtain custody of any items purchased by the Company that the Company does not have in its possession.

The members should:

5. Thoroughly review credit card purchases monthly, which should include ensuring adequate documentation such as itemized invoices/receipts, packing slips and signed vouchers are available to support credit card purchases, and that credit card statements are reconciled to the supporting documentation before authorizing payment.

The President should:

6. Effectively communicate and enforce the Policy and bylaws, including any updates.
7. Consider establishing an auditing committee in accordance with the bylaws to audit Company purchases including credit card purchases.
8. Ensure the Treasurer is carrying out duties specified in the Policy.

The Treasurer should:

9. Conduct a thorough review of credit card purchases and supporting documentation to determine whether purchases were made for official use and in accordance with the Policy and document the results of such

review. If purchases are not in compliance, resolve any issues with designated users and report the findings to the Board.

10. Require credit card users to prepare and submit vouchers and provide required supporting documentation prior to issuing payment.
11. Ensure only authorized users have access to credit cards and that credit cards are deactivated when a user is no longer authorized.

Appendix A: Response From Company Officials

Rapids Volunteer Fire Company

E-Mail Address: general@rapidsvfc.com

Website: www.rapidsvfc.com

ADMINISTRATIVE OFFICERS

Anthony Rook; *President*
Joseph Fries; *Vice President*
Laverne Bowen; *Treasurer*
Monica Rook; *Recording Secretary*
Hannah Edwards; *Corresponding Secretary*
Kyle Dean; *Board of Director*
Wendy Hollenbeck; *Board of Director*
Scott Reynolds; *Board of Director*

FIREMATIC OFFICERS

Michael Moore; *Chief*
Adam Wick; *Deputy Chief*
Bradley Ast; *Assistant Chief*
Brent Ast; *EMS Captain*



MAILING ADDRESS:

7195 Plank Road
Lockport, New York 14094

FIRE STATION #1

7195 Plank Road
(716) 434-4502
(716) 434-4347 Fax

FIRE STATION #2

6131 Old Beattie Road
(716) 434-6506

9/10/2023

In response to our recent comptroller audit we thank you for the time and effort. Throughout the duration of the audit we were given recommendations and we implemented them as we progressed. We agree with the findings in the audit and will continue to make the necessary changes that are needed.

Thank you
Anthony Rook
President

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 reviewed Company bylaws, policies and procedures relevant to credit card purchases and held discussions with Board members to gain an understanding of operations, credit card procedures and who is responsible for reviewing the purchases.
- We reviewed all 858 credit card purchases totaling \$113,962 and relevant support including vouchers, receipts/invoices and packing slips for January 1, 2021 through December 31, 2022 to determine whether Company officials verified credit card purchases were authorized, supported and for an appropriate Company purpose. When determining whether purchases that were not supported with receipts were for appropriate Company purposes, if the main purpose of the vendor was fire protection, we determined purchases to be appropriate. For those purchases missing receipts that were not made with a fire protection vendor, we used professional judgment to select a sample of 30 higher risk purchases – including unauthorized user purchases, raffle items, wooden patio chairs and purchases made outside of the geographical area of the Company – to determine whether the items were for an appropriate Company purpose. We held conversations with the President and other credit card users to discuss the items purchased and compared raffle-related items to the raffle calendar posted on the Company's website.
- We reviewed credit cards users' positions in the Company to determine whether the member was an authorized user under the Policy.
- We used our professional judgement to select a sample of 20 credit card purchases totaling \$7,644 to determine whether the items purchased were in the Company's possession. We chose purchases of various dollar amounts that could be used for both Company and personal use (e.g., routers, computer monitors, etc.) based on the location of where the purchase was delivered, using zip codes to select any items that were delivered outside of the immediate areas where the Company operates. We also selected purchases made by the former President. We searched both Company locations with the assistance of the Treasurer and EMS Captain to determine whether the purchases were in the Company's custody.

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. We encourage the Board to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to our office within 90 days. 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 C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

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

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

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/files/local-government/publications/pdf/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

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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

BUFFALO REGIONAL OFFICE – Melissa A. Myers, Chief of Municipal Audits

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: Muni-Bufferalo@osc.ny.gov

Serving: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming counties

osc.state.ny.us

