



Village of Ocean Beach

Credit Card Usage

2022M-206 | June 2023

Contents

- Report Highlights 1**

- Credit Card Usage 2**
 - How Should a Village Board Monitor and Approve Credit Card Purchases? 2

 - Village Employees Did Not Comply With the Village’s Credit Card Policy. 3

 - What Do We Recommend? 7

- Appendix A – Response From Village Officials 9**

- Appendix B – OSC Comments on the Village’s Response 12**

- Appendix C – Audit Methodology and Standards 13**

- Appendix D – Resources and Services 14**

Report Highlights

Village of Ocean Beach

Audit Objective

Determine whether the Village of Ocean Beach (Village) Board of Trustees (Board) ensured that employees appropriately used Village credit cards.

Key Findings

The Board did not ensure that Village employees appropriately used Village credit cards. As a result, employees made questionable purchases on the Village's credit cards. We reviewed all 3,108 credit card transactions paid during the audit period totaling \$371,826 and found that 2,866 transactions totaling \$356,610 (92 percent) did not comply with Village policy. Transactions totaling:

- \$39,093 did not have any receipts included with the claims packets.
- \$317,517 did not have a signed receipt or credit card slip.

Examples of purchases include:

- \$134,742 from a home improvement store,
- \$85,506 for fuel purchases,
- \$25,140 from an online retailer,
- \$23,242 for furniture and appliances,
- \$16,687 from warehouse clubs and grocery stores,
- \$11,595 for television service subscriptions,
- \$8,571 from restaurants, and
- \$66,343 for other miscellaneous purchases.

Without oversight and itemized receipts, the Board could not determine whether purchased items were appropriate and for Village purposes.

Key Recommendations

- Comply with the Board's credit card policy and provide guidelines for appropriate use of Village credit cards.
- Thoroughly audit credit card claims, ensuring that documentation to support credit card purchases is intact, before approving claims for payment.
- Seek reimbursement for any charges that are not Village-related.

Village officials disagreed with certain findings in our report. Appendix B includes our comments on issues they raised in their response.

Background

The Village, located on the half-mile-wide by 32 mile-long barrier beach of Fire Island in the Town of Islip in Suffolk County, is governed by an elected Board composed of the Mayor and four trustees.

The Board is responsible for oversight and general management of Village financial activities.

The appointed Clerk-Treasurer is the chief fiscal officer, responsible for the Village's day-to-day financial activities, including cash disbursements and payroll. The Board has also appointed a Deputy Treasurer (Deputy) who performs the same financial activities as the Treasurer in his absence.

The Board issued credit cards to certain Village officials and employees to use for business purposes.

Quick Facts

Credit Cards	
Bank Cards	Number of Authorized Users
Bank Card 1	2
Bank Card 2	3
Bank Card 3 (home improvement)	2
Bank Card 4 (fuel)	3
Bank Card 5 (fuel)	19
Credit Card Transactions Paid	
June 1, 2018 – May 31, 2019	\$148,373
June 1, 2019 – May 31, 2020	\$144,148
June 1, 2020 – February 28, 2021	\$79,305

Audit Period

June 1, 2018 – February 28, 2021

Credit Card Usage

The Village paid 3,108 credit card transactions totaling \$371,826¹ during the audit period. We reviewed all transactions and found that that 2,866 transactions totaling \$356,610 (92 percent) did not comply with Village policy. For these purchases, Village officials either did not provide support or provided insufficient supporting documentation and made purchases that were not for appropriate Village business (Figure 1).

How Should a Village Board Monitor and Approve Credit Card Purchases?

A board should provide appropriate oversight and monitoring, which includes establishing policies and procedures to help ensure that credit card transactions are authorized, actual and necessary expenditures. A board must also ensure that all claims for the credit card purchases have adequate documentation attached before approving them for payment.

The Village Board should also ensure compliance with its credit card policy (policy) that states that the sole purpose of issuing credit cards to Village employees is to provide authorized employees with a convenient method of payment for Village-related business expenses. In addition, employees are required by the policy to place only authorized expenditures on Village credit cards, and may never use credit cards for personal purchases or expenses.

Employees are required by the policy to sign the credit card receipt and submit it to their immediate supervisor with appropriate paperwork documenting the authorization to make the purchase. Also, employees must submit an original receipt with the Village vehicle description, license plate number and current mileage printed on its face to support any credit card purchases relating to fuel. If employees are dispensing the fuel into a gas can, they must document the Village equipment and department on the original receipt. The purchaser must sign receipts for all credit card purchases and submit them to their immediate supervisor. Supervisors are required to verify that each credit card purchase is appropriate and properly documented, and to sign-off on the monthly credit card bill and submit all documentation pertaining to credit card purchases to the Village each month.

A board must audit all claims against the village prior to payment. An effective claims auditing process ensures that every purchase made with a credit card

Figure 1: Transactions Reviewed

	Reviewed	Exceptions
Home Improvement Store	\$134,742	\$134,742
Fuel	85,506	76,476
Online Retailer	25,140	25,667
Furniture and Appliances	23,242	23,242
Wholesale Warehouse Clubs and Grocery Stores	16,687	15,330
Television Service Subscriptions	11,595	11,595
Restaurants	8,571	7,643
Other Miscellaneous Purchases	66,343	61,915
Total	\$371,826	\$356,610

...[E]mployees are required by the policy to place only authorized expenditures on Village credit cards, and may never use credit cards for personal purchases or expenses.

1 Including negative transactions, such as credits or returns.

is subject to an independent, thorough and deliberate review to ensure that proposed payments represent actual and necessary expenditures and are in accordance with village policies. 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.

Village Employees Did Not Comply With the Village’s Credit Card Policy

The Board did not thoroughly review claims before approving them for payment or ensure that employees complied with the Village’s credit card policy. As a result, all credit card claims were not supported or for appropriate purposes.

The Village has five bank credit cards, two of which are specifically for fuel purchases (gas cards) and one for a home improvement store (store card). One of the gas cards has 19 authorized users² and the second has three authorized users; one of the general credit card accounts has three authorized users and the second has two authorized users; and the store card has two authorized users.

We reviewed all monthly credit card statements paid during our audit period, along with all supporting documentation to determine whether 3,108 transactions totaling \$371,826³ complied with the Board’s credit card policy. Credit card transactions included:

- \$134,742 from 549 home improvement store transactions,
- \$85,506 for 1,741 fuel purchases,
- \$25,140 for 180 online retailer transactions,
- \$23,242 for 32 furniture and appliance transactions,
- \$16,687 for 65 wholesale warehouse club and grocery store transactions,
- \$11,595 for 87 television service subscriptions transactions,
- \$8,571 for 134 restaurant transactions, and
- \$66,343 for 320 other miscellaneous transactions.

The Board approved all 3,108 credit card transactions we reviewed to be paid; however, 2,866 transactions totaling \$356,610 (about 92 percent) did not comply with Village policy, including 581 transactions totaling \$39,093 that did not have any receipts included with the claims packets and 2,285 transactions totaling \$317,517 where the attached receipt or credit card slip was not signed, with the

The Board approved ... 2,866 transactions totaling \$356,610 (about 92 percent) [that] did not comply with Village policy. ...

² This gas card account is used by the police, fire and public works departments.

³ Including negative transactions, such as credits or returns.

appropriate paperwork documenting the authorization to make the purchase, in accordance with the policy. Additionally, 69 of the receipts attached, totaling \$8,439, were just credit card slips that did not include itemized detail of the items purchased. Without itemized receipts, the Board cannot know what items were purchased and whether they were for appropriate Village purposes.

Home Improvement Store Purchases – The Board approved 549 purchases totaling \$134,742 from a home improvement store; 66 of these purchases totaling \$16,473 were made on weekends. Except for one purchase for \$209, there was an itemized receipt attached for each of these purchases; however, none of the attached receipts were signed and clear explanations were not always provided to support the purchases as appropriate Village expenditures. The purchases were made online and at eight different store locations, outside of the Village on the Long Island mainland.⁴ The types of purchases at this store included various tools and equipment, hardware, cleaning supplies and holiday decorations, many of which could have been for personal use. Although the Board approved these purchases, Board members could not provide explanations for any of the 549 purchases.

Fuel Purchases – Employees made 1,741 transactions totaling \$85,506 for fuel purchases. Although there were 45 transactions totaling \$1,834 that had signed receipts with a valid odometer reading and a Village-assigned vehicle number, there were no receipts attached for 416 of these transactions totaling \$18,583. Furthermore, receipts did not always identify the vehicle being fueled, and a number of employees did not appear to enter valid odometer readings on the receipts. Receipts for certain vehicles always contained the same odometer reading (e.g., 32,030; 14,500; 11,770; 1,001). None of the attached receipts contained a vehicle description or license plate number.

Because the Board did not implement adequate internal controls over the use of Village credit cards for fuel purchases, it has limited assurance that fuel purchases were reasonable and appropriate and that the purchases did not fuel employees' personal vehicles.

Online Retailer Purchases – Village employees incurred 180 transactions on the Village's general credit cards totaling \$25,140 through an online retailer; 25 transactions totaling \$2,243 were made on weekends. The Board approved 31 of these transactions totaling \$3,334 with no receipts attached; another three purchases totaling \$106 had an order confirmation attached, but no detail of what was actually purchased. Of these 31 transactions, 12 transactions totaling \$1,690 were supported with a printout of an unfinished cart (i.e., checkout not completed) that often did not equal the purchase amount, and three transactions totaling \$357 were for an annual subscription to this online retailer service.

⁴ The Village is located on a barrier beach of Fire Island just south and parallel to Long Island.

These purchases included a wide variety of items including cleaning and office supplies, tools, several phone cases, small appliances (i.e., coffee makers, toaster oven) and kitchen tools, flatware, beach towels, furniture, bedding and a fruit basket sent to an individual in Bay Shore, New York. While the receipts showed purchases of items such as kitchen tools, towels, bedding and furniture to furnish Village-owned apartments available for employee use,⁵ items of this nature could also be for personal use. Furthermore, without having itemized receipts attached, the Board has no way to know what was actually purchased and whether the purchases were reasonable and appropriate Village expenditures.

Furniture and Appliance Purchases – Village employees made 32 purchases totaling \$23,242 for furniture and appliances. This included 21 purchases totaling \$16,870 for 12 mattresses, three area rugs and various pieces of furniture to furnish Village-owned apartments. However, items of this nature could also be for personal use, especially since the attached purchase orders identified them as for use by specific employees. In fact, these 21 purchases included the personal purchase of a 12-bottle wine bar on May 8, 2018, for which an employee reimbursed the Village \$188 cash on June 29, 2018, even though the Village’s credit card policy explicitly states that Village credit cards shall never be used for personal purchases.

In addition, although a three-piece sectional sofa costing \$990 was purchased for the Village’s auxiliary office trailer, it was shipped to an employee’s personal residence, which is not a good business practice and could lead to fraud, abuse or misappropriation. We confirmed the sofa was not in the auxiliary office trailer but was instead located in the Police Chief’s apartment.⁶

Wholesale Warehouse Club and Grocery Store Purchases – The Superintendent of Public Works made 65 purchases totaling \$16,687 at a wholesale warehouse club and grocery stores, including five purchases on weekends totaling \$965. There were seven purchases totaling \$2,125 that had no receipt attached. The remaining purchases included two mattresses, numerous paper goods, cleaning supplies and more than \$800 of clothing, including 25 shirts, 16 pairs of jeans, eight packs of socks and a zip hoodie. However, most of these purchases were groceries for which there was no Village business purpose provided, and Board members could not provide any explanations for these purchases.

5 The Village owns a total of 10 apartments. There are six apartments above the Village Hall office: one is for the use of the historical society, which is occupied by two people during the entire summer. Another is for all Village policewomen to use year-round. The other four apartments are for certain Village employees. The four remaining apartments consist of two for Village employees (Department of Public Works Supervisor and Police Chief), one for medics who use the apartment on a rotating basis, and one which is rented to non-Village parties.

6 See footnote 5.

Meals and Refreshments – The Village’s credit card policy specifies that Village credit cards may be used to make reservations for conferences/seminars that the Board has approved; however, the policy does not address employees’ ability to use Village credit cards for meals or refreshments. Generally, meals should only be purchased when Board members and/or Village personnel travel outside of their regular work areas on official business for extended periods of time, or when events prevent them from taking time off to eat during mealtime because of a pressing need to complete business.

Employees used the Village’s general credit cards for 134 restaurant transactions totaling \$8,736; 66 of these transactions, totaling \$5,736, occurred on Saturdays and Sundays. There were no receipts attached for 36 of these transactions totaling \$2,733. Seven transactions totaling \$165 were travel-related; the remaining 127 transactions totaling \$8,571 were at local restaurants. The 127 transactions at the restaurants included 43 transactions totaling \$2,212 that had a reason for the meal noted on either the receipt or the credit card statement, six totaling \$215 were for lunch meetings between the Mayor and Clerk-Treasurer. The remaining transactions did not list attendees or the business purpose for the lunch. Another 10 transactions totaling \$591 were reported as refreshments at Board meetings; however, four of these transactions totaling \$152 occurred on days after the Board meetings. To illustrate:

- Village officials purchased food for the June 9, 2018 Board meeting, and subsequently purchased food on June 13 and June 27, 2018, when there were no meetings,
- Village officials purchased donuts, muffins and bagels on November 18, 2018, which was a day after the November 17, 2018 Board meeting,
- Documents show a single meal was purchased on October 6, 2019, a day after the October 5, 2019 Board meeting.

There were 10 meals totaling \$822 that took place at a local restaurant owned by the Mayor; all but two of these meals occurred on weekends. We question the business need for paying for restaurant meals on weekends. Board members could not provide any explanations for these transactions.

Other Questionable Purchases – Village employees made a number of purchases with the Village’s general credit cards where it is questionable whether they were appropriate Village expenditures with a legitimate business purpose. For example,

- One of the Village’s general credit cards was used to pay 87 transactions totaling \$11,595 for television subscription services at three Village-owned apartments.

-
- Employees made eight transactions totaling \$1,241 for flowers, wine baskets and a fruit basket. Examples include \$277 for a sympathy floral arrangement and two sympathy wine baskets sent to two employees, and \$227 for a sympathy floral arrangement sent to an employee's relative in Deer Park, New York. However, these expenses were not for valid Village purposes.

These exceptions occurred because the Village's credit card policy did not provide guidance governing appropriate spending on meals, materials and supplies. Therefore, Village employees were left to decide for themselves what constituted an appropriate purchase. On August 16, 2022, an email from the Deputy Treasurer stated most of the food purchased was for Board meetings, for community relations purposes and for storm preparation where the Department of Public Works crew was required to stay because a storm was coming and there was no access to food. The Deputy Treasurer also wrote that the Village is located on a barrier island with limited access to the everyday necessities for most of the year.

However, even keeping the Village's location in mind, because the Board approved payment for credit card claims without adequate supporting documentation and a thorough audit, the Village paid for credit card transactions that did not comply with Village policy, and there is an increased risk that the Village paid credit card claims that were excessive or not for appropriate purposes. In addition, because officials did not implement a formal and thorough process for review and reconciliation of credit card transactions, the Board approved duplicate payments. The Board declined to substantiate how these credit card purchases represented legitimate Village business expenditures. Finally, the Village paid \$560 in late fees and interest charges because it did not approve and pay the credit account statements in a timely manner.

What Do We Recommend?

The Board should:

1. Ensure that all officials and employees comply with its credit card policy.
2. Provide guidelines for appropriate use of Village credit cards.
3. Thoroughly audit credit card claims, ensuring that sufficient documentation to support credit card purchases is intact before approving claims for payment, and that credit card statements are reconciled to itemized supporting documentation.
4. Seek reimbursement for any charges that are not Village-related.
5. Avoid unnecessary late fees and interest charges by paying credit card bills in a timely manner.

The Clerk-Treasurer should ensure that:

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

Appendix A: Response From Village Officials



JAMES S. MALLOTT
Mayor

Office of the Mayor

Incorporated Village of Ocean Beach

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Ocean Beach, NY 11770-0457

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www.villageofoceanbeach.org

6/13/2023

Ira McCracken
Chief Examiner
Division of Local Government and School Accountability

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

RE: Village of Ocean Beach

Dear Mr. McCracken,

The Village is in receipt of the "Draft" report entitled Credit Card Usage, Report of Examination 2022M-206.

We appreciate you pointing out that our Village Credit Card Policy may have not been complied with in every instance. The Village will make its best efforts in the future to ensure compliance with our policy.

In several instances, your report references that non-compliance of the policy "could" lead to the possibility of abuse. I must point out that your audit and report in fact did NOT find any instances of illegal or fraudulent use of tax-payer funds.

Your report also repeatedly points out that purchases were often made on weekends. I must point out that the Village is a 24/7 operation, 365 days a year.

See Note 1 Page 12



JAMES S. MALLOTT
Mayor

Office of the Mayor

Incorporated Village of Ocean Beach

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The Village operates a Full-time Police Department, Volunteer Fire Department, Water & Sewer Department, Department of Public Works, Village Justice Court, Village Clerk's Office, Village Treasurer's Office, Seasonal Lifeguard Department, and other necessary departments/personnel to serve the residents and visitors of Ocean Beach. The Village holds most of its meetings on weekends. Monthly meetings are pre-scheduled (year round) on Saturdays for the Board of Trustees, Planning Board/Architectural Review Board, the Zoning Board of Appeals and Village Justice Court.

As to a couple of specific "findings", I feel it necessary to respond.

Furniture Purchase:

May 2018. An employee placed a purchase order which included an item for personal use for \$188. At the time (not after your "discovery"), that employee paid the Village \$188 to pay for the cost of this purchase. It was documented contemporaneously with the transaction. Although a technical violation of the policy, this demonstrates to me that we have honest, hard-working employees that would not use tax-payer funds inappropriately.

See
Note 1
Page 12

Undated in the report, there is reference to the delivery of a piece of furniture that was delivered to an employee's personal residence. Had you further looked into the issue, you would have learned that the company would NOT deliver the item to Fire Island Ferries in Bayshore for delivery on the Freight Boat. They required an individual to sign for the item. FI Ferries would not sign for the item. The item was delivered to and signed for by a trusted employee on Long Island. It was then picked-up by another Village employee and delivered to Ocean Beach on Fire Island (a barrier beach island that sits off the south cost of Long Island.) In fact, handling the matter in this manner resulted in a SAVINGS to the Village (and the tax-payers). The Village did NOT have to pay the cost to FI Ferries for the delivery by the Freight Boat.

See
Note 2
Page 12

Fuel Purchases:



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Mayor

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Your audit and report did NOT find any instances in which Village credit cards were used to fuel employees' personal vehicles. Again, the example referenced above demonstrates that the Village has honest, hard-working employees that would not use tax-payer funds inappropriately.

See Note 1 Page 12

We will take your recommendations under advisement. Thank you.

Sincerely, ,

James S. Mallott
James S. Mallott

Village of Ocean Beach, Mayor

Appendix B: OSC Comments on the Village's Response

Note 1

Ninety-two percent of the 3,108 credit card transactions we reviewed did not comply with Village policy. Furthermore, many of the credit card transactions were lacking receipts or other itemized information to allow us, or Village officials, to determine whether the transactions were for appropriate Village purposes. Therefore, the audit cannot be used to draw any conclusions on illegal or fraudulent use of taxpayer funds.

Note 2

Village records did not include an approval or a rationale for delivering the item to an employee's home address and, when we inquired about this purchase, Village officials did not provide this explanation.

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 Village officials and employees to gain an understanding of internal controls over credit card purchases.
- We reviewed the Village's credit card policy.
- We obtained all of the Village's credit card statements paid in the period June 1, 2018 through February 28, 2021 and reconciled to the corresponding credit card payments.
- We reviewed all credit card transactions paid during our audit period to determine whether claims were adequately supported and/or justified; properly approved; accurate; and paid on time. We also determined whether credit card statements were reconciled to claims before payment approval.

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. 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 Clerk's office.

Appendix D: 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

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