



Town of Stony Point

Claims Processing and Purchasing

Report of Examination

Period Covered:

January 1, 2013 — April 21, 2014

2014M-239



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2014

Dear Town 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 Town Board 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 Town of Stony Point, entitled Claims Processing and Purchasing. 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 General Municipal Law.

This audit's results are resources for local 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 Town of Stony Point (Town) is located in Rockland County, has a population of approximately 15,000 residents and covers 31.6 square miles. The Town provides various services to its residents, including general government support, street maintenance and improvements, snow removal and code enforcement. The Town has 266 employees.¹ Budgeted appropriations for the 2014 fiscal year were approximately \$16 million for the general fund and \$2.4 million for the highway fund, funded primarily with real property taxes, sales tax and State aid.

The Town Board (Board) comprises four members and the Town Supervisor (Supervisor) and is the legislative body responsible for managing Town operations. The Supervisor is the chief fiscal officer, who has custody of, receives and disburses Town funds. Although the Board is primarily responsible for the effective and proper functioning of the Town, the Supervisor and departments share this responsibility.

The Board is responsible for approving claims by reviewing and approving abstracts prepared by the Town's Finance Department and presented by the Town Clerk. The Town has a decentralized purchasing system in which each department places its own orders for goods and services. Purchases greater than \$1,000 require a purchase order number from the Supervisor's office. During the audit period, the Town purchased approximately \$25 million in goods and services.

Objective

The objective of our audit was to evaluate the Town's claims processing and purchasing practices. Our audit addressed the following related question:

- Have Town officials implemented effective internal controls over claims processing and purchasing to adequately safeguard Town assets?

Scope and Methodology

We examined selected claims and purchasing transactions for the period January 1, 2013 through April 21, 2014.

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 is included in Appendix B of this report.

¹ 115 full-time employees including Board members, 122 seasonal employees and 29 part-time employees

**Comments of
Local Officials and
Corrective Action**

The results of our audit have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they plan to take corrective action.

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 forwarded to our office within 90 days, pursuant to Section 35 of the 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 this plan available for public review in the Town Clerk's office.

Claims Processing

Town Law requires the Board to audit and approve all claims against the Town prior to directing the Supervisor to pay them. A proper Board audit should include determining whether claims² are properly itemized and contain sufficient documentation to determine the nature of the purchases, verifying that amounts represent actual and necessary Town expenses and determining whether the purchases comply with statutory requirements and Town policies. Each claim should include an itemized original receipt or invoice and documentation to allow for a proper audit, including the signature of the person giving rise to the claim. Board members must adopt a resolution approving the Board-audited claims for payment, as listed on an abstract that specifies the number and amount of claims the Supervisor is authorized to pay. The Town Clerk must present the abstract to the Supervisor directing him to pay the claims listed. Town Law requires that the claims listed on the abstract be consecutively numbered beginning with the number one in each year.

The Town's claims processing policies and procedures are adequate. Board members approve the payment of claims against the Town each month by reviewing and signing an abstract listing current claims for goods and services provided. However, our review of 35 consecutive abstracts that the Board approved during our audit period showed that claims were consecutively numbered within each abstract but not between the monthly abstracts. Therefore, 111 duplicate claim numbers were used and eight claim numbers were not used. In addition, one abstract containing only a claim number and no supporting claim detail was signed by four Board members certifying that, as a Board majority, they had audited and approved the claim for payment.

We examined all 222 vouchers, totaling \$611,587, containing duplicate claim numbers and determined they followed the Town's purchasing policy and were for proper Town purposes. We also reviewed the detail voucher files and determined that the eight consecutive claim numbers not appearing on the approved abstracts were not used. However, when claims are not consecutively numbered between monthly abstracts as well as within them, the Board and Town officials have no assurance that all claims were properly audited.

Duplicate and missing claim numbers occurred because the Town's accounts payable clerk did not ensure that the first claim number of a

² Claims include bills or invoices submitted by vendors requesting payment for goods or services furnished to the Town.

month was the next consecutive number after the last number of the prior month. The Town Clerk did not check for consecutive numbering between abstracts and was unaware that Town Law requires claims to be consecutively numbered during the year.

Recommendations

1. The Town Clerk should ensure that all claims are consecutively numbered during the Town's fiscal year.
2. The Board should thoroughly review all abstracts prior to approval to ensure that all claims approved are valid and for proper Town purposes.

Purchasing

A good system of internal controls over purchasing includes policies and procedures to help ensure that an organization is using its resources effectively and complying with applicable laws and regulations. Town officials are responsible for designing internal controls that help safeguard Town assets, ensure the prudent and economical use of Town moneys when procuring goods and services and protect against favoritism, extravagance and fraud. It is important that Town policies are current, describe the procurement methods to be used and when to use each method and require adequate documentation to support and verify procurement decisions.

New York State General Municipal Law (GML) requires that purchase and public work contracts in excess of \$20,000 and \$35,000, respectively, during a fiscal year be publicly advertised for bids and awarded to the lowest responsible bidder. In lieu of advertising for bids, local governments may use certain contracts awarded by the New York State Office of General Services or other designated government organizations.³ The law also requires local governments to adopt written policies and procedures governing all procurements of goods and services not required by law to be competitively bid, including the dollar levels at which written and verbal quotes, and documentation of actions taken, are required. The procurement policy should also contain guidelines for purchasing exceptions, including emergency purchases and purchases from preferred or sole sources and should be reviewed and adopted annually by the Board as required by Town Law.

The Town's adopted purchasing policy conforms to GML requirements and is reviewed and adopted by the Board annually. During the audit period, the Town purchased approximately \$25 million dollars in goods and services. To determine compliance with the Town's procurement policy, we judgmentally selected 12 purchases: six over the GML bidding threshold, totaling over \$470,000, and six under the GML bidding threshold, totaling over \$13,000. Of the six purchases that exceeded the GML bidding threshold, five were properly bid and awarded to the lowest bidder and one was obtained using another municipality's contract as permitted by GML. All six purchases under the GML bidding threshold had quotes on file as required by the Town's purchasing policy.

³ As an alternative to soliciting competition, towns may "piggyback" on contracts that have been extended to local governments by certain other governments. Use of these contracts constitutes an exception to the competitive bidding requirements.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



Town of Stony Point

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October 20, 2014

OSC
Tenneh Blamah
33 Airport Center Drive
Suite 103
New Windsor, New York 12553

Dear Mr. Blamah:

The Town of Stony Point is in receipt of your September 24, 2014 preliminary draft findings generated after your most recent examination of the Town's Claims Processing and Purchasing covering the period Jan 1, 2013 through April 21, 2014.

The Town is very pleased to see that the audit showed that the Town's claims processing and policies are adequate. The audit showed all 222 examined vouchers under \$20,000 were for proper Town purposes and the procurement policies were followed. Also that the audit showed the sample of purchases over \$ 20,000 adhered to General Municipal Law and determined proper bidding and state and or county contracts were awarded.

The audit provided two recommendations. The first recommendation is for the Town Clerk to ensure all claims are consecutively numbered during the fiscal year. The audit showed the claims were consecutively numbered within each abstract but not between the monthly abstracts. The Town Clerk is reviewing the abstract to ensure the claim numbers are consecutively numbered during the fiscal year. The second recommendation is for the Board to thoroughly review all abstracts prior to approval to ensure all claims approved are valid and for Town purposes. This recommendation is also being followed.

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If you have any other questions, please contact us.

Very truly yours,

Geoffrey Finn
Supervisor

James White, Councilman
Thomas Basile, Councilman
Karl Javenes, Councilman
Jim Monaghan, Councilman
Joan Skinner, Town Clerk
Karen Cappabianca, Director of Finance
Andrew A SanFilippo, Executive Deputy Comptroller

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if Town officials implemented effective internal controls over claims processing and purchasing to adequately safeguard Town assets. Our audit included the following steps:

- We interviewed Town officials, including the Supervisor and Director of Finance, and conducted various tests of purchasing transactions.
- We reviewed Town claim and procurement policies and procedures.
- We tested a sample of purchases over \$20,000 for adherence to GML and determined whether:
 - o Each purchase was subject to competitive bidding requirements and was bid, and if not bid, whether it was purchased under valid State or county contract.
 - o The bids were properly published in the Town's newspaper of record.
 - o The purchases were awarded to the lowest bidder (or an explanation was provided of why the lowest bidder was not selected).
- We tested a sample of purchases under \$20,000 to determine if Town procurement policies were met.
- We reviewed 35 Board-approved abstracts.
- We examined 222 claim vouchers totaling \$611,587 containing duplicate claim numbers.

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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