



# Town of Hadley

## Claims Auditing

### Report of Examination

Period Covered:

January 1, 2014 — June 30, 2015

2015M-198



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

November 2015

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 Hadley, entitled Claims Auditing. 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 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 Town of Hadley (Town) is located in Saratoga County and has approximately 2,000 residents. The Town provides various services to its residents including road maintenance, snow removal, water and sewer services, garbage removal and general government support. The Town's budgeted appropriations for the 2015 fiscal year total approximately \$2.8 million and are funded primarily by sales tax, real property taxes, user fees and State aid.

An elected five-member Town Board (Board), which comprises the Town Supervisor (Supervisor) and four Council members, governs the Town. The Supervisor serves as the Town's chief executive officer and chief fiscal officer. The Board is responsible for the general management and oversight of the Town's fiscal matters, including claims auditing.

## Objective

The objective of our audit was to review the internal controls over the Board's claim audit process. Our audit addressed the following related question:

- Did the Board conduct a proper audit of claims to ensure each claim was adequately documented, supported and for legitimate Town purposes?

## Scope and Methodology

We examined the Town's internal controls over the claims audit process for the period January 1, 2014 through June 30, 2015.

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 size of the relevant population and the sample selected for examination.

## Comments of Local Officials

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 report.

## Claims Auditing

The Board is responsible for auditing and approving claims. The claims auditing process should be deliberate and thorough, ensure each claim contains sufficient supporting documentation and that the goods or services being billed for were actually received and are for appropriate Town purposes.

As part of the claims auditing process, the Town Clerk (Clerk) retrieves the vendor invoices from the mail and requests the department heads to complete and sign the vouchers that correspond to their vendor invoices. Subsequent to receiving the completed vouchers, the Clerk in conjunction with the Town bookkeeper, assigns consecutive numbers to the vouchers using the Town's financial management system. The financial management system then generates the abstracts<sup>1</sup> of vouchers for each of the Town's funds. The abstracts and vouchers are submitted to the Board for review prior to regularly scheduled Board meetings. Each Board member reviews and initials each individual voucher to document his or her review and approval for payment. Board resolutions are then passed and documented in the meeting minutes to record the Board's approval to pay the claims for each fund.

To determine if the Board conducted an effective audit of claims, we randomly<sup>2</sup> selected 100 claims totaling \$278,270<sup>3</sup> from the general, highway, water,<sup>4</sup> sewer, lighting, park, capital projects and cemetery funds. We examined these claims to determine whether they contained adequate supporting documentation, were for proper Town purposes and were audited and approved prior to payment, and whether the claims contained the initials of the Board members as evidence they reviewed the claims. We also determined whether the payees and the amount paid on the canceled checks agreed with the claims and abstracts. Except for minor discrepancies that were communicated to Town officials, the Board conducted a deliberate and thorough audit of claims, the claims contained adequate supporting documentation and evidence that the goods or services were received and the claims were for legitimate Town purposes.

We commend Town officials for designing and implementing an effective system of controls over the Board's claims auditing process.

<sup>1</sup> An abstract is a list of claims to be paid.

<sup>2</sup> Using a computerized random sampling tool, we selected 100 claims from a total population of 1,570 non-payroll related claims processed during the audit scope period.

<sup>3</sup> We reviewed 54 claims totaling \$49,443 in the general fund, 23 claims totaling \$214,998 in the highway fund and 23 claims totaling \$13,829 from seven other Town funds.

<sup>4</sup> The Town has two water districts that it accounts for separately.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

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



**TOWN OF HADLEY**  
**ARTHUR M. WRIGHT, SUPERVISOR**  
4 Stony Creek Road  
P.O. Box 323  
Hadley, New York 12835-0323  
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October 5, 2015  
Jeffrey P. Leonard, Chief Examiner  
NYS Office of the State Comptroller  
Division of Local Government and School Accountability  
One Broad Street Plaza  
Glens Falls, NY 12801

RE: Town of Hadley – Acknowledgement of Audit Findings and CAP

Dear Mr. Leonard:

This letter will serve as both a response to your audit and as a Corrective Action Plan (CAP). First, I and my staff would like to acknowledge and commend the two auditors who performed the audit at the Town of Hadley. They both were very professional and helpful and did an excellent job.

For formal review:

- I acknowledge receipt of the "Draft" Audit
- I acknowledge that I received the written and verbal review of the draft audit.
- I agree with the Zero or No Findings
- This audit response will also serve as the Corrective Action Plan (CAP) response
- With Zero or No findings, no corrective actions will be implemented
- This letter will be reviewed and approved by the Town Board

Results of the Audit: As Chief Executive and Financial Officer for the Town of Hadley, I acknowledge that the town was presented the Draft audit (Claims Auditing) findings on Wednesday September 23, 2015. The report covered the period of 01/01/2015 thru 06/30/2015. I acknowledge that the objective of the audit was to review internal controls over the Town Board's claims review process by randomly selecting 100 claims totaling \$278,270.00 from the general, highway, water, sewer, street lighting, park, capital projects and cemetery funds. I acknowledge that "No Findings" were made and appreciate the auditors compliment on the design and implementation of this system of controls over approval and payments of vouchers.

[www.townofhadley.org](http://www.townofhadley.org)

Corrective Action Plan (CAP): With the "Claims Audit" findings of "Zero" or "No Findings", there is no requirement for a Corrective Action Plan. And again, acknowledge the Examiners compliment of the Town of Hadley's system of controls over the approval and payment of vouchers.

Regards,

Arthur Wright  
Town of Hadley  
Town Supervisor, Chief Executive Officer/Chief Financial Officer

Cc: Town Board  
Pauline G Smead, Town Clerk  
RaeAnn Johnson, Town Attorney



## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

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

- We interviewed Town officials to gain an understanding of the claims auditing process.
- We obtained and reviewed documents pertaining to claims processing.
- We used a random number generator to select 100 non-payroll claims during our scope period of January 1, 2014 through June 30, 2015.
- We reviewed a total of 100 claims from the general, highway, water, sewer, lighting, park, capital projects and cemetery funds.
- We tested claims to determine if they contained proper departmental approvals and sufficient supporting documentation, were for proper Town purposes and were approved by the Board prior to payment when required. We also examined the related canceled checks and abstracts to ensure consistency with the claims.
- We reviewed Board meeting minutes.

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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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller

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