

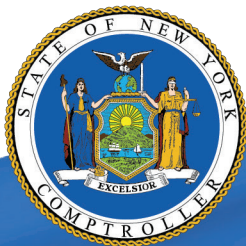
# Town of Corinth

## Claims Auditing

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AUGUST 2017

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Audit Objective

Determine whether claims were adequately supported and properly audited by the Board before payment.

## Key Findings

- The Board did not audit all claims before approving payments or adopt a resolution allowing eligible claims to be paid in advance of audit.
- The Supervisor paid 13 claims totaling approximately \$8,300 before the Board audit.
- The Board approved 22 claims totaling approximately \$39,000 that did not contain sufficient documentation to determine whether the amounts paid were for legitimate Town purposes. We reviewed other available evidence and determined that these claims were for legitimate Town goods and services.

## Key Recommendations

- Perform a deliberate and thorough audit of all claims before approving them for payment.
- Adopt a resolution allowing certain claims to be paid in advance of audit.

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

## Background

The Town of Corinth is located in Saratoga County and has a population of approximately 6,500 residents.

The Town is governed by an elected five-member Board composed of four Board members and an elected Town Supervisor (Supervisor). The Town Supervisor (Supervisor) serves as the Town’s chief executive officer. The Board is the legislative body responsible for managing Town operations including road maintenance, snow removal and, water, and landfill operations.

Quick Facts	
2017 Budget	\$5.2 million
Number of Claims	1,625
Amount of Claims	\$3.5 million

## Audit Period

January 1, 2016 – February 28, 2017

# Claims Auditing

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## **How Should the Board Ensure an Adequate Audit of Claims?**

The audit and approval of claims is an important Board responsibility to oversee Town expenditures. New York State Town Law (Town Law) requires the Board to audit all claims against the Town and, by resolution, order the Supervisor to pay the amounts allowed. The Board may by resolution authorize the payment in advance of audit of claims for public utility services (i.e., electric, gas, water, sewer, fuel oil and telephone), postage and freight and express charges. However, all such claims shall be presented at the next regular meeting for audit.

Effective claims auditing procedures ensure that every claim against the Town is subjected to a thorough and deliberate review. All claims should contain adequate supporting documentation to enable the Board to determine whether the claim complies with statutory requirements and Town policies and the amounts claimed represent actual and necessary Town expenditures.

## **The Board Did Not Audit All Claims**

The Board did not ensure all claims were adequately supported and for valid Town purposes. The Town Clerk (Clerk) and the Supervisor's accounting clerk (Supervisor's clerk) prepare claim voucher packets by attaching invoices and supporting documentation in a manner that requires the Board to open each individual voucher before it can be reviewed. The Clerk provides the Board with a list of claims to be paid (abstract) for authorization and approval and each Board member signs the abstract indicating authorization to pay the listed claims. However, the Board did not audit each claim by comparing the claim listed on the abstract with the voucher and attached supporting documentation.

Three Board members and the Supervisor told us that the Board does not open the vouchers to review the supporting documentation. Instead, the Board reviews the abstract and indicates its approval by signing the abstract and passing a resolution to approve the claims to be paid, which is documented in the Board minutes. Without a thorough and deliberate review of individual claims and supporting documentation, the Board does not have enough information to determine whether the claims it approves are for appropriate purposes and there is an increased risk that improper claims could be paid.

## **Claims Are Paid Before Board Approval**

The Supervisor's clerk processes and pays claims for electric utilities, telephone and heating fuel in advance of the Board's approval. The Supervisor's clerk includes these claims on the next month's abstract, which is presented to the Board for approval. However, the Board has not passed the required resolution authorizing payment in advance for allowable claims. The Board also allowed the payment of credit card claims before they were presented for the Board's

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approval, even though credit card claims are not permitted by Town Law to be paid in advance.

We reviewed 88 claims paid totaling approximately \$114,000<sup>1</sup> to determine whether any were paid before Board approval. We identified seven claims totaling \$5,950 that were paid before Board approval. These claims included six credit card payments of \$5,400 and one claim for \$550, which was an expense reimbursement to a Board member. The Town has one credit card (in the Supervisor's possession) that is used to make Town purchases. The Supervisor and three Board members told us that they were unaware credit card claims could not be paid in advance of Board review.

We also found that another six claims totaling \$2,380 were paid in advance of Board approval. Four of these claims totaling \$2,014 could have been paid in advance had the Board adopted the required resolution<sup>2</sup> and one claim for \$274 for the payment of indebtedness (for a contract exceeding one year) did not require further Board approval. The remaining claim for water totaling \$92 was not authorized to be paid in advance of Board approval.

By allowing payments in advance of Board approval, there is an increased risk that claims could be paid for unsupported charges or for charges that are not for a valid Town purposes.

### **Claims Lacked Adequate Support**

We reviewed the previously selected 88 claims to determine whether they were adequately supported and the goods or services billed were for valid Town purposes. We found that 22 claims totaling approximately \$39,000 (approximately 34 percent) lacked sufficient support for the Board to be able to determine whether these claims were for legitimate Town purposes. For example, five claims totaling \$30,000 were paid to the Corinth Rural Cemetery Association and did not contain itemized detail, such as receipts or a contract, to support the payments made. We were able to verify that all Town payments were deposited to the Cemetery bank account and the expenditures appeared to be for legitimate Cemetery maintenance purposes.

We reviewed all 13 credit card payments and found that claims for 10 credit card charges totaling approximately \$6,143 were not fully supported by itemized documentation (i.e., store receipts were missing) and individual purchases totaling \$2,020 included on these claims (25 percent) did not have any itemized documentation attached. For example, credit card payments of \$808 for registrations to a youth program, \$239 for employee background checks,

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1 See Appendix B for information on our sampling methodology.

2 Four claims totaling \$2,000 were for utilities and heating fuel.

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\$245 for food purchases (pizza and grocery store items), \$415 to various retail establishments (e.g., BJ Wholesale, Family Dollar), \$55 for webinar registrations and \$258 to the NYS Department of Motor Vehicles were all paid without any support, such as itemized invoices or receipts.

As a result, the Board was unable to determine the purpose for these purchases when approved. Later, Town officials provided us with additional documentation to show the credit card claims were for valid purposes. In addition, approximately \$450 of credit card related payments were to vendors the Town routinely purchased consumable items from (e.g., paper products, cleaning supplies and perishable food items).

However, because the Board authorized payment for claims that lacked adequate supporting documentation and it did not actually review individual claims to determine whether they were adequately supported, there is an increased risk that inappropriate claims could be paid (e.g., claims for goods or services that are not received, claims that may have already been paid or claims that are not for valid Town purposes).

### **What Do We Recommend?**

The Board should:

1. Perform a deliberate and thorough audit of all claims before approving them for payment.
2. Adopt a resolution allowing eligible claims to be paid in advance of audit and pay claims in advance only for purchases allowed by law.
3. Ensure that all claims are properly supported and for valid Town purposes.

# Appendix A: Response From Town Officials

## TOWN OF CORINTH



600 Palmer Avenue  
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### TOWN BOARD MEMBERS

Charles Brown  
Edward Byrnes  
Jeffrey Collura  
Joshua Halliday

### TOWN COUNSEL

Robert Hafner  
518-793-6611

### TOWN CLERK

Rose E. Farr  
518-654-9232 ext 4

### HIGHWAY SUPERINTENDENT

Shawn Eggleston  
518-654-6962

### ASSESSOR

Tina Dimitriadis  
518-654-9232 ext 5

### BUILDING INSPECTOR / CODE ENFORCEMENT OFFICER / ZONING ADMINISTRATOR

Albert Brooks  
518-654-9232 ext 6

### TOWN JUSTICES

Ambrose Clothier  
Lane Schermerhorn  
518-654-9232 ext 2

### PLANNING BOARD

C. Eric Butler  
518-654-9232 ext 6

### ANIMAL CONTROL OFFICER

Alicia Floud  
518-748-2616

### ZONING BOARD OF APPEALS

William Clark  
518-654-9232 ext 6

August 14, 2017

Attention Comptroller's Office,

Thank you for the time taken by [REDACTED]  
[REDACTED] on August 3, 2017, to go over the findings of our recent audit.

I do want to thank those folks for all the pointers and constructive criticism given to my employees and myself, It was much appreciated.

Looking at the findings and recommendations from the audit, we have complied with all three plus the ones that were presented to us throughout the audit.

#1. Even before the audit was over, the Town Board began a new process to audit the claims. We started with the way the clerk was presenting them to Board for audit, and implemented a newer more accurate way to do the audit.

#2. We did a Town Board resolution showing the only way bills could get prepaid. For whatever reason, we were under the assumption that a credit card was eligible for prepay. We have done away with that practice, also before the audit was finished.

#3. We have taken extra measures to ensure that all claims are properly supported and are for valid Town purposes. This was also implemented before the audit was complete.

I am submitting this letter also as my corrective action plan.  
Pursuant to Section 35 of General Municipal Law.

If you need anything further, please contact me.  
Sincerely,

Richard B. Lucia  
Supervisor

## Appendix B: Audit Methodology and Standards

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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, we performed the following audit procedures:

- We interviewed Town officials and employees to gain an understanding of the claims authorization process. We reviewed several claims to understand the process and assess risk prior to selecting our sample. We determined highway claims were lower risk than general fund claims in particular the credit card payments made by the general fund.
- We randomly selected 40 claims paid from December 1 through December 31, 2016 and 10 claims paid from January 1 through February 28, 2017. Our testing included 42 general fund claims totaling \$18,200, and eight highway fund claims totaling \$45,700.
- We judgmentally selected 25 general fund claims totaling approximately \$41,700 that were paid during our audit period.
- We reviewed all credit card claims paid during our audit period, which included 13 credit card claims totaling \$8,600, that were routinely paid before Board audit.
- We examined the selected claims to determine whether they contained sufficient evidence to determine whether they were audited by the Board before payment and included adequate supporting documentation. We also determined whether these claims were accurate and for valid and legitimate Town purposes. In addition, we examined the related canceled checks and warrants to ensure consistency with the claims.

We conducted this performance audit in accordance with GAGAS, generally accepted government auditing standards. 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.

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



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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 C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf](http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

### **Research Reports / Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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