



Village of Galway

Claims Processing

Report of Examination

Period Covered:

June 1, 2012 — January 31, 2014

2014M-79



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2014

Dear Village 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 Village 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 Village of Galway, entitled Claims Processing. 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 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 Village of Galway (Village) is located in the Town of Galway in Saratoga County. The Village covers approximately 0.25 square miles and has a population of approximately 200 residents. The Village provides various services to its residents, including police, fire, a justice court, youth, recreation and general government support. The expenditures to provide these services are accounted for in the general fund. For the fiscal year ending May 31, 2013, the Village reported expenditures totaling \$61,068. These expenditures were funded primarily with sales tax.

The Village is governed by an elected Board of Trustees (Board), which comprises a Mayor and two Trustees. The Board is responsible for the general management and control of the Village's financial affairs. The Mayor is the chief executive officer and is responsible for the day-to-day operations of the Village. The Clerk-Treasurer is the chief financial officer and is the custodian of all Village money. The Clerk-Treasurer is responsible for collecting, recording and disbursing money as well as maintaining the manual accounting records, signing checks, and preparing all internal and external financial reports.

Objective

The objective of our audit was to examine Village's internal controls over claims processing. Our audit addressed the following related question:

- Did the Village establish adequate internal controls over claims processing?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Village assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, claims processing and payroll and personal services. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the claims processing area, and therefore, we examined internal controls over claims processing for the period June 1, 2012 through January 31, 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 are included in Appendix B of this report.

**Comments of
Local Officials**

The results of our audit have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our report.

Claims Processing

Claims processing, including the audit and approval of claims, is one of the critical elements of a Village's internal control system. To ensure that disbursements are for valid expenditures, Village Law and a good system of internal controls require each member of the Board to audit claims thoroughly before authorizing payment. An effective audit process ensures that all claims contain sufficient supporting documentation, and represent actual and necessary Village expenditures. It is important that every claim be adequately documented and supported by a voucher¹ and an itemized receipt or invoice. Claims must also contain sufficient documentation to provide evidence that the Village received the goods or services that it purchased.

Internal controls over claims processing were adequate to ensure claims were for appropriate purposes, adequately supported and properly audited and approved. The Clerk-Treasurer assembled claim packages, prepared abstracts² and presented claims and abstracts to the Board for audit and approval. We reviewed 40 claims³ totaling \$22,980 and found they were for appropriate Village purposes, were supported by itemized invoices and pre-numbered vouchers, and were included on the abstracts presented to the Board. Additionally, the Board members audited each claim and documented their audit and approval by signing the claims. Furthermore, the Board's audit and approval of claims for payment was documented in the Board minutes.

We commend Village officials for their work in establishing and following a good system of internal controls for the approval of claims.

¹ A voucher provides information related to the claim such as the vendor name, date, description of the goods or services purchased, the expenditure account to be charged and the amount of the claim.

² A detailed list of claims to be audited and approved for payment

³ Claims were selected randomly.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



Village of Galway
P.O. BOX 476
5212 SOUTH STREET
GALWAY, NEW YORK 12074

June 10, 2014

NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Re: Village of Galway Audit
Claims Processing
2014M-79

Dear Sir or Madam:

On behalf of the Village of Galway, I would like to thank the team that worked with us for their time and help as we worked through the audit process. We find that the audit is an accurate report of our operations. The Village of Galway is a very small governing unit and it has always been our quest to “keep it simple”. We appreciate the vote of confidence expressed by this audit and have already implemented suggestions that were made that will help us with our claims processing as we move into our new fiscal year.

Respectfully,

William R. Hyde
Village of Galway Mayor

*One half mile square, with four corners for a centre.
Settled by early Scots - 1774 Incorporated - April 18, 1838*

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Village assets. To accomplish this we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, claims processing and payroll and personal services.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected claims processing for further audit testing.

To accomplish the objective of the audit and obtain valid audit evidence, our procedures included the following:

- We interviewed Village officials and reviewed Board minutes to gain an understanding of the claims processing process.
- We randomly selected a sample of 40 claims from the abstracts to determine if claims were for appropriate Village purposes, and properly supported by an itemized invoice or receipt and pre-numbered voucher.
- We compared all 40 randomly-selected claims packages to the associated canceled check images to verify that the information agreed and to determine if the checks were for appropriate Village purposes.
- We reviewed all 40 claims packages to determine if they contained documentation of audit and approval and whether they were paid prior to Board audit and approval.

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.

APPENDIX C

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