



Village of Voorheesville Claims Processing

Report of Examination

Period Covered:

June 1, 2012 — March 31, 2014

2014M-135



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Voorheesville, 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 and recommendations 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 Voorheesville (Village) is located in the Town of New Scotland in Albany County. The Village encompasses 2.14 square miles and has a population of approximately 2,800 residents. The Village is governed by a Board of Trustees (Board), which comprises four elected Trustees and an elected Mayor. 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 Village's day-to-day operations. 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 accounting records, signing checks and preparing all internal and external reports. The Deputy Clerk-Treasurer assists the Clerk-Treasurer with these duties.

The Village provides various services to its residents including general government support, street maintenance and improvement, snow removal, ambulance services, fire protection, youth recreation and water and sewer services. The Village accounts for most of its financial activity in the general, water and sewer funds. For the 2013-14 fiscal year, the Village's budgeted appropriations totaled \$2.1 million, funded primarily with real property taxes, water and sewer charges and sales tax.

Objective

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

- Did Village officials 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, payroll and personal services and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in all of the financial areas we reviewed. We determined that risk existed in the claims processing area and, therefore, we examined internal controls over claims processing for the period June 1, 2012 through March 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 is 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 findings.

Claims Processing

Claims processing, including the audit and approval of claims, is one of the most critical elements of a Village's internal control system. To ensure that disbursements are for valid purposes, Village Law and a good system of internal controls require the Board to audit all claims thoroughly before authorizing payment. An effective audit process ensures that all claims contain sufficient supporting documentation and represent actual and necessary Village expenses. 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. Although the Board may by resolution exempt certain claims² from audit prior to payment, the Board must audit these claims after they have been paid.

Generally, the Village's internal controls over claims processing were adequate to ensure claims were for appropriate purposes, adequately supported and properly audited and approved. The Clerk-Treasurer and Deputy Clerk-Treasurer assembled the claim packages, prepared an abstract³ and presented claims and abstracts to the Board for audit and approval. The Board also passed a resolution to authorize the Clerk-Treasurer and Deputy Clerk-Treasurer to pay claims for utilities, postage and freight prior to audit.

From June 1, 2012 through March 31, 2014, the Village processed and paid 1,241 claims totaling approximately \$2 million. We reviewed 50 claims,⁴ totaling \$82,144, to ensure that they were properly supported and for appropriate Village purposes. Except for minor deficiencies which were discussed with Village officials, we found all claims were for appropriate Village purposes. Claims also were supported by itemized invoices or receipts and pre-numbered vouchers that contained the signature of an authorized official indicating the goods or services were received. Additionally, all 50 claims were included on the abstracts presented to the Board for audit. The Board audited and approved 49 of the 50 claims, totaling \$74,771, prior to the payment of those claims. The one remaining claim, totaling \$7,373, was for utility services; this claim was authorized by Board resolution

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 Village Law allows the Board to authorize, by resolution, the payment of claims for utility services, postage, and freight and express charges in advance of audit.

³ A detailed list of claims to be audited and approved for payment

⁴ Claims were selected randomly.

to be paid prior to audit and was appropriately audited and approved by the Board subsequent to payment.

We commend Village management on developing and implementing controls to provide assurance that Village purchases are properly reviewed and approved prior to payment.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



[REDACTED]
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801

July 22, 2014

Re: Local Response

Dear [REDACTED]

The New York State's Office of the State Comptroller's recent audit of the Village of Voorheesville comprehensively reviewed the Village fiscal operations. The assigned auditor interviewed Village officials and employees to obtain an understanding of internal controls; and reviewed various records and reports including general ledgers, budgets, balance sheets, bank statements, and other supporting documentation in order to ensure that annual financial reports were complete, were supported by accounting records, and were filed in a timely manner.

The Village of Voorheesville is pleased that the Comptroller's audit to determine the adequacy of its internal controls found no deficiencies with the Village operation of its financial condition, accounting system, cash management, cash receipts and disbursements, purchasing, claims processing, payroll, user charges, real property taxes, justice court, and information technology.

The Village Board sees the audits as an opportunity to improve the financial practices of the Village. The implementation of past recommendations by the Comptroller's office has assisted the Village to achieve its current status.

The Board would like to thank the Comptroller's staff for their professionalism and the cooperative and unobtrusive manner in which they conducted the audit.

Sincerely,

Robert D. Conway
Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our goal was to assess the adequacy of the Village's 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, payroll and personal services and information technology.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those areas for risk of potential fraud, theft and professional misconduct. Based upon 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 those areas 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 Village's claims process.
- We randomly selected 50 claims from the voucher detail report to determine if claims were for appropriate Village purposes, were properly supported by an invoice or receipt and contained the signature of an authorized official and evidence of receipt of goods or services.
- We compared all 50 randomly selected claims to the associated canceled check images to verify that the information agreed and to determine if the disbursements were for appropriate Village purposes.
- We reviewed the corresponding abstracts for all 50 claim packages to determine if they contained documentation of audit and approval and whether claims were paid prior to the Board's audit and approval.
- We reviewed the Village resolution adopted by the Board to authorize the payment of claims for utility services, postage and freight and express charges in advance of audit.

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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