

Town of Danby

Claims Processing and Procurement

DECEMBER 2022



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

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Report Highlights

Town of Danby

Audit Objective

Determine whether the Town of Danby (Town) Board (Board) sought competition when procuring goods and services and audited claims prior to payment.

Key Findings

The Board did not always seek competition when procuring goods and services or ensure all claims were properly audited and approved. When goods and services are not competitively procured, they may not be procured in a cost-effective manner. Also, when claims are not properly audited, the Board's ability to effectively monitor the Town's financial operations is diminished.

- Officials did not solicit bids for five commodities totaling \$197,266 or obtain the minimum required quotes for purchases totaling \$80,360.
- The Board approved unsupported claims totaling \$223,781 for payment.
- The Board approved 19 claims twice, resulting in duplicate payments totaling \$33,282.
- 44 of 97 credit card purchases, totaling \$12,695, reviewed were paid prior to Board audit and 13 purchases totaling \$4,936 were never presented to the Board for audit.
- The Board did not monitor the health insurance payments to the former Town Supervisor (Supervisor), resulting in overpayments totaling at least \$12,043.

Key Recommendations

- Determine how to appropriately address the former Supervisor's health insurance payments.
- Properly audit and approve all claims timely.
- Comply with Board policies and statutes requiring competition when procuring goods and services.

Town officials generally agreed with our recommendations and indicated they plan to take corrective action. Appendix B includes our comment on an issue raised in the Town's response.

Background

The Town is located in Tompkins County (County) and is governed by an elected five-member Board including the Supervisor. The Board is responsible for the general oversight of the Town's operations and finances.

The Supervisor serves as the chief fiscal officer and is responsible for the day-to-day operations. The Town's bookkeeper assists the Supervisor by maintaining accounting records and generating financial reports.

The Town has an elected Highway Superintendent (Superintendent) who is responsible for overseeing all highway department operations.

The elected Town Clerk (Clerk) is the Clerk of the Board and is responsible for preparing and certifying an abstract of audited claims, authorizing the Supervisor to make payments.

Quick Facts

Population	3,363
Number of Claims Processed	1,153
Total Dollar Amount of Claims	\$3.8 million

Audit Period

January 1, 2020 – July 11, 2022

We extended the audit period back to July 11, 2016 to review certain health insurance payments.

Claims Auditing and Procurement

A board is responsible for overseeing financial activities and safeguarding resources. Appropriate oversight and monitoring include establishing policies and procedures to help ensure that all purchases are authorized, adequately supported and are actual and necessary expenditures.

What Is an Effective Claims Audit Process?

An effective claims audit process ensures that every claim against a town is subjected to an independent, thorough and deliberate review; that each claim contains enough supporting documentation to determine whether it complies with statutory requirements and town policies (e.g., procurement policy) and that the amounts claimed represent appropriate town expenditures. Unless an exception applies, the board is required to audit all claims before payment.

The Board Did Not Properly Audit Claims

We reviewed 249 claims totaling \$744,566 to determine whether they were properly supported, Board-audited and for legitimate purposes. Unless stated otherwise, we were able to determine that the claims were for legitimate Town expenditures by reviewing support we requested from the vendors, vendor business descriptions and from discussions with officials. However, certain payments for health insurance exceeded Board-approved amounts. Furthermore, some claims lacked adequate support, were paid in duplicate, included unnecessary taxes and fees and/or were paid prior to Board audit.

Health Insurance Payments – In 2010, the Board adopted a resolution authorizing payment of the former Supervisor’s health insurance costs, for amounts not to exceed \$600 per month. From 2016 through 2019, the Town paid a total of \$29,011 for the former Supervisor’s monthly insurance premiums. The Town did not have records prior to 2016 for us to determine the monthly health insurance payments. However, from 2016 through 2019, the monthly premiums ranged from \$547 to \$671, resulting in total overpayments of \$995.

Furthermore, in 2020, the Town made a Board-approved lump sum retroactive payment totaling \$17,739 to reimburse the former Supervisor for monthly out-of-pocket health insurance costs, ranging from \$100 to \$136 per month, incurred for the period 2010 through 2019. Combined with the \$995 in premium overpayments, the lump sum payment for unreimbursed monthly health insurance costs increased the amount the Town exceeded the allowable amount by an additional \$11,048, totaling \$12,043 for the period 2016 through 2019 (Figure 1).

...[P]ayments for health insurance exceeded Board-approved amounts.

Figure 1: Former Supervisor's Health Insurance Payments

Year	Monthly Premiums	Retroactive Payments	Total
2016	\$578	\$1,364	\$1,942
2017	0	3,216	3,216
2018	0	3,216	3,216
2019	417	3,252	3,669
Total Payments	\$995	\$11,048	\$12,043

Because records for the period 2010 through 2015 were not available for us to review, the amount overpaid may be greater.

The Supervisor told us the Board did not monitor whether the payments exceeded the authorized amount.

Unsupported Payments – 55 claims totaling \$223,781 lacked support, such as receipts, weigh tickets, or itemized invoices. Unsupported purchases included 47 purchases totaling \$217,590 for highway building materials, seven utility payments totaling \$1,800 and one purchase for snow plow parts totaling \$4,391 to a highway supply store.

Duplicate Payments – The Board approved duplicate claims resulting in overpayments totaling \$33,282. In some instances, duplicate invoices or receipts, such as the Town copy of the invoice and the vendor carbon copy for the same purchase, were attached to a single claim presented to the Board for audit.

Duplicate payments included:

- One payment totaling \$16,161 for deicing salt, where the first payment was made in 2020 and a duplicate payment made in 2021,
- Four payments totaling \$15,564 for propane, and
- Fourteen payments totaling \$1,557 for various other purchases.

We determined that the Town received credit for six duplicate payments totaling \$31,833 for the deicing salt, propane and vehicle equipment. However, we were unable to determine whether the remaining 13 payments, totaling \$1,449, from various auto parts dealers and a training event, were credited to the Town. The bookkeeper stated that the Town likely received credits for the overpayments that were not reflected on the account statements. However, our review of Town records did not affirm this assertion.

Taxes and Fees – The Town paid unnecessary bank account analysis fees and taxes that could have been avoided if the bookkeeper presented the payments to the Board and if the Board ensured the Town was receiving tax-exempt status. The unnecessary fees and taxes included:

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- Nineteen monthly recurring bank account analysis fees totaling \$1,901. These fees were not audited by the Board and were automatically withdrawn from the Town's bank account. The Supervisor stated that he was unaware of these charges and he was uncertain what value the Town received for these charges.
 - Six sales tax payments totaling \$351 attributable to purchases for office supplies, building materials, food, pest removal services and New York State compliance posters.

Claims Paid Prior to Audit – Three claims totaling \$27,748 were paid prior to Board audit. These claims included highway materials, repairs made at the Town Hall and Internet service.

These errors occurred because the Board relied on the bookkeeper to provide the Board with sufficient supporting documentation and did not understand the documentation requirements for an adequate claims audit.

Finally, the Board did not ensure that purchases subject to competitive bid requirements and the Town's procurement policy were supported with appropriate supporting documentation, as required. Additional details are discussed in the procurement section of this report.

The Board Did Not Properly Audit Credit Card Purchases

The Town issued credit cards to several Town officials including the bookkeeper, Superintendent and Clerk. The Town also maintains several store credit accounts with hardware and office supply vendors and a local fuel supplier.

The Board is required to annually perform a credit card compliance audit to ensure that the Board-adopted credit card policy is being followed. The policy requires that proper documentation be maintained, such as receipts or invoices from the vendor, in order to determine whether credit card transactions are appropriate. The policy also requires the Clerk to check all receipts against the credit card statements and the bookkeeper to monitor for missing information and notify the Board of discrepancies.

We reviewed 97 purchases made with the credit cards or on account totaling \$33,498 to determine whether they were properly audited, supported and for legitimate Town purposes. We determined that these purchases were legitimate based on support we requested from the vendors, vendor descriptions and from discussions with officials. However, we found the following discrepancies:

- 44 purchases totaling \$12,695 were paid prior to Board audit. In some instances, the purchases were audited two months after payment.

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- 36 purchases totaling \$10,490 lacked adequate support, such as itemized receipts. For example, 17 of the purchases totaling \$4,503 were unsupported. These included purchases for office equipment and office furniture. Furthermore, 13 of the 36 purchases totaling \$4,936 were not audited.
 - Three duplicate payments totaling \$1,499. Two of these payments totaling \$803 were audited and approved. However, one payment totaling \$696 was not audited. These payments were credited to the Town on ensuing statements.
 - The Town incurred late fees totaling \$131.

Because of the lack of supporting documentation for credit card purchases, we performed additional testing of all 43 purchases totaling \$3,830 made to an online vendor to determine the propriety of the account activity. We determined these purchases were for appropriate Town purposes.

These discrepancies occurred because the Clerk and bookkeeper did not ensure that credit card purchases were adequately supported, as required. Furthermore, the Board did not perform an annual credit card compliance audit as required by the credit card policy. Several Board members told us they were unaware of the requirements of the credit card policy.

Because officials did not follow procedures outlined in the credit card policy, they had no assurance that credit card purchases were appropriate. Furthermore, since the Board was unaware of payments made on credit cards, the possibility for misappropriation of Town assets was greatly increased.

Without a thorough review of all claims to be paid by the Town, the Board's ability to effectively monitor Town financial operations is diminished and errors and irregularities can occur and remain undetected and uncorrected. We met with the Superintendent, Deputy Highway Superintendent and all of the Board members to discuss guidance available in our claims audit publication *Improving the Effectiveness of Your Claims Auditing Process*.¹

How Should Town Officials Procure Goods and Services?

Officials should ensure compliance with New York State General Municipal Law (GML) Section 103 which generally requires competitive bidding for purchase contracts exceeding \$20,000, with certain exceptions. In lieu of seeking competition, towns are also authorized to make purchases using other publicly awarded government contracts, such as those of a county, or the New York State

¹ <https://www.osc.state.ny.us/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

Office of General Services (OGS). To determine whether competitive bidding is necessary, town officials must consider whether the aggregate cost of a good or service within a 12-month period will exceed competitive thresholds.

Officials should procure goods and services not subject to competitive bidding requirements in a manner that helps ensure the prudent and economical use of public funds in the taxpayers’ best interest. Soliciting proposals by issuing a request for proposals or obtaining written or verbal quotes are effective ways to help ensure that a town receives the needed goods and services for the best price.

Officials should comply with the Town’s procurement policy, which outlines the purchasing process for goods not required by law to be bid. Purchases made for materials, equipment and supplies costing between:

- \$0 and \$1,500 are left to the discretion of the purchaser.
- \$1,500 and \$2,999 require written quotes from two vendors.
- \$3,000 and \$9,999 require written quotes from three vendors.

Officials Did Not Always Competitively Procure Goods and Services

We reviewed 194 purchases totaling \$636,183 made during the audit period to determine whether Town officials obtained quotes or solicited competitive bids, as appropriate. We found that officials either did not seek competition, or maintain supporting documentation to show they sought competition, for 85 purchases totaling \$244,394.

Competitive Bidding – We aggregated 110 purchases totaling \$254,957 for six commodities that were subject to competitive bidding requirements (see Figure 2) and found that 64 purchases for five commodities totaling \$197,266 were not properly purchased using competitive bidding or other competitive methods, such as the use of State or County contracts.

We compared the prices the Town paid for these purchases with the prices available from State and County contracts to determine whether the Town paid the rates available to municipalities. While the Town paid at or below the State contract prices for two commodities totaling \$104,750, when officials do not seek competition as a part of the purchasing process, they cannot provide assurance to taxpayers that public funds were used prudently and economically.

Figure 2: Aggregate Commodity Purchases

Product	2020 Claim Voucher Total
Deicing Sand	\$54,402
Deicing Salt	50,390
Asphalt Emulsion	50,348
Unknown Aggregate	38,469
Shoulder Mix	34,660
Cold Patch	26,688
Total	\$254,957

Furthermore, we were unable to compare two commodities totaling \$73,129 with State or County contract pricing because the product description did not match the naming convention used on State and County contracts.

Quotes – We reviewed 28 purchases totaling \$97,248 and all propane purchases totaling \$30,511 to determine whether Town officials obtained the minimum required number of quotes. We found that Town officials did not obtain the minimum required quotes for all propane purchases² and 17 other purchases totaling \$49,849. For example, officials could not provide quotes for 12 purchases totaling \$33,233 for highway commodities, one purchase totaling \$4,924 for a truck cylinder, labor and parts for a vehicle repair totaling \$3,673, a laptop for the planning office totaling \$2,009 and New York State compliance posters totaling \$1,620. Because the invoices for the highway commodities were not sufficiently detailed for us to determine the actual commodities purchased, we could not determine whether they should have been aggregated for competitive bidding purposes. We found no exceptions with the remaining 11 purchases.

We compared the prices the Town paid for the propane with the prices available from a State contract. We found that the Town overpaid for propane by \$15,364 (101 percent) when compared to the State contract rate. Town officials told us they believed they were purchasing the propane at the State contract rate since they purchased from the State contract vendor. As a result of our audit, near the end of our audit fieldwork, officials reached out to OGS and the vendor, to investigate the propane pricing difference.

These deficiencies occurred because Town officials did not follow their own policy or competitive bid requirements. The Superintendent and the bookkeeper told us that quotes are solicited, but not always documented and retained, and that all documentation may not be provided to the Board. When officials do not use a competitive process to procure goods and services, there is an increased risk that goods and services may not be procured in the most cost-effective manner to help ensure the most prudent and economical use of public money.

We met with Board members and officials to discuss guidance available in our publication, *Seeking Competition in Procurement*.³ In addition, we referred the Board and officials to the OGS website for information on the procurement of aggregate commodity products (e.g., road salt, asphalt, stone and aggregates) and fuel products (e.g., diesel, fuel oil, gasoline and propane).

² Includes two fiscal years' payments which aggregated less than \$20,000 per year and therefore why we applied the quotes requirement instead of competitive bidding requirement.

³ <https://www.osc.state.ny.us/files/local-government/publications/pdf/seekingcompetition.pdf>

What Do We Recommend?

The Board should:

1. Consult with the Town's attorney to determine how to appropriately address the health insurance payments for the former Supervisor.
2. Only approve health insurance payments or cost reimbursements that comply with Board resolutions.
3. Perform a deliberate and thorough audit of all claims and supporting documentation in a timely manner ensuring that claims are adequate, complete, do not include tax and fees charges, and are for appropriate Town purposes.
4. Ensure the necessary paperwork is filed to recoup all sales tax paid on purchases during the audit period from the New York State Department of Taxation and Finance.
5. Enforce the credit card policy, which details authorized use, the approval process, documentation requirements and receipt verification, and perform an annual credit card compliance audit.
6. Require adequate supporting documentation for credit card purchases.
7. Thoroughly audit credit card claims, ensuring that documentation to support credit card purchases is attached before approving claims for payment and ensure credit card statements are reconciled to itemized supporting documentation.
8. Ensure the credit card statements are paid in full and in a timely manner to avoid unnecessary late fees and interest charges.
9. Ensure Town officials comply with Board policies and statutes requiring competition when procuring goods and services.

Town officials should:

10. Ensure all claims requiring Board audit are presented to the Board for audit prior to payment, including adequate, originating supporting documentation.
11. Ensure the Town receives credit for all remaining unresolved duplicate payments.
12. Request the unnecessary bank fees be removed from Town bank accounts.

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13. Adhere to all Town policies and procedures, including the procurement and credit card policies.
 14. Periodically compare quotes from vendors to State and other government contracts to help ensure purchases are cost effective and in the best interest of taxpayers.

Appendix A: Response From Town Officials



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Joel Gagnon, Supervisor
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The Town of Danby would like to preface our response to this audit by expressing our gratitude to the State Auditors for the extensive time invested and the thoroughness of their review of the town's records. We greatly benefited from the services provided by the Comptroller's Office in such a comprehensive way. The help is much appreciated and has enhanced the Town's management of the taxpayers' money.

Our responses to the key findings are as follows:

1. Officials did not solicit bids for five commodities or obtain minimum required quotes for some purchases.

The Town relies on State and County Contract Pricing, when available, for all commodity purchases. Propane, diesel fuel, gasoline, road salt, sand, and other materials are part of this list. If a product is being contracted for or just purchased and is not on the State Contract list, the Highway Department and other Town departments, before making the purchase, seek quotes from vendors to get the best price for the town. The auditors did bring it to our attention that Ferrell Gas Company, for example, was charging us rates that were not State Contract prices. That finding educated us on how to check to make sure we are getting the State or County contract prices as each bill is presented, and the importance of always checking the state web-site to do so.

This finding is definitely a lesson in documenting and recording the quotes obtained from hours of time put into price shopping by town staff. Both the Staff and Town Board pride themselves in watching all costs for goods and services. We now know that the proof of the effort in obtaining quotes needs to be conscientiously recorded in a more accessible fashion to enable appropriate review and to confirm compliance with the Town's procurement policy.

The Highway Department does not always get material at the lowest cost. There are reasons for this that include location of pickup and quality of material. There are times when hauling material from a pit that is closer is really what is needed to minimize the overall expense of obtaining the product. Also, there are times when paying more from a particular pit is the best for the town because of the quality of the product that is needed for a particular situation or

project. The Highway Superintendent is interested in getting the most for the town's money and producing lasting results.

PLAN OF ACTION:

The Highway Department has already contacted Ferrell Gas and is in the process of seeking a refund for 2020 and 2021 for any rates that were charged to the town that were above state contracts rates. When paying commodity bills going forward, the town will access the NYS website and attach a print-out of the current rate to match what has been billed. When a bill is being presented for payment that requires quotes, those quotes will be attached to the vouchers as proof of following the procurement policy of the town. When these findings were brought to the attention of the town during the audit process, the town immediately put together a new procurement policy that makes it clearer how purchases of goods and services are to be appropriately made.

2. The Board approved unsupported claims.

Once again, this is a lesson in making sure that the documentation that the State expects as backup is attached to the bills. There is never a bill that is approved for payment by the Board that does not have backup of some kind to prove the expense. Even credit card bills have the credit card statement that indicates who made the purchase attached to the bill. As the auditors mentioned in their findings, they did find that all expenditures that were paid were for appropriate expenses. The years 2020 and 2021 were the scope of this audit. During that time, COVID caused the town to change its procedures from using in-person meetings to online meetings. This changed the procedures for reviewing bills by the Board. Instead of the Board sitting down to stacks of information such as delivery tickets for commodities and stacks of weigh bills, they were reviewing scanned vouchers and bills online for the first time. Listed statements totaling the amount of expected payment were being scanned and the other stacks of backup were not. All bills have support for payment and are carefully reviewed by Board members. Our documentation process, as acknowledged above, needs to be improved. The auditors wanted to see more support for some of the bills that were being approved, and

See
Note 1
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informed us of further documentation that should be included. This is another instance where the town greatly appreciates the thoroughness and time spent by the Auditors to point out these deficiencies in our procedures.

PLAN OF ACTION:

The Board will continue with its practices of requiring proof of expenditures before approving the bills. Thanks to the Auditors, we are all aware of other documents that are expected before final approval. We are still approving bills from electronic submission and review, but we are making sure that we are attaching delivery tickets, all receipts of purchases, and all receipts pertaining to credit card purchases. We are also aware of certain bills that should not be paid before the board meeting, such as health insurance bills. When quotes are required, they are now attached to the bill for approval.

3. The Board approved 19 claims twice.

The practice that is followed when preparing bills by the staff is that each bill is double-checked to make sure that duplicate payments are not paid. There are times, however, when things can slip through when comparing what is presented for payment in statements from companies does not reflect payments made but not yet received or credited at the time of bill creation. One example is the paying of a bill for deicing salt in 2021, when it had already been paid in 2020. This bill got in with the 2021 group of bills and was missed from six to eight months back. It was caught, and the amount was credited to the town. The propane bills from Ferrell Gas are especially difficult to follow. Many times amounts are lumped together and we do all that we can do to keep the payments correct. In 2020 and 2021 staff was working from home as well as the office. Information was being transferred from one location to the other on a weekly basis and these four bills were confused. Credits for the overpayments were made back to the town. The smaller amounts are mostly in auto parts. Many times the mechanic will return parts and then repurchase them, creating credits and new purchases showing on the billing. There are hundreds of purchases throughout the year and we try to match up each invoice. A few got through twice, but credits were generated and funds returned.

PLAN OF ACTION:

We will continue the practice of looking back on previous abstracts to ensure that duplicate payments are caught. Before the preparation of each abstract, many duplicate bills are received, caught and discarded as being already paid. We will continue to monitor this situation and take even more time with this process. We will more thoroughly utilize the current function in our software for crosschecking invoice numbers during the payment process.

4. Credit card purchases were paid prior to Board audit and some were not presented for approval.

The credit card bills that are presented to the town have a short window of ten days to be paid. There were times throughout the year when we made the payment before presenting the bills to the board to avoid late fees being added. In part this was due to not being fully aware of limitations on pre-pays in State law. The Auditors' assistance in learning the right way to handle this situation was one of the many ways we benefited from their work. We are in the process of asking the credit card companies to adjust the due dates for payment to better align with Town Board review and approval. Also, as we mentioned earlier, the payment process took longer during the early COVID period as we were scanning bills, obtaining receipts from departments and matching things up for payment during the time when we were all working from home.

PLAN OF ACTION:

As stated, we are working on setting later due dates with the credit card companies so that it gives us more time to match up receipts and get Board approval before the payment goes out. We are comparing the credit card bills with the abstract to make certain that each item gets approved on the abstract. We will be setting up a system to acquire receipts from each department for their credit card purchases more efficiently and all receipts are being scanned as backup for approval.

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5. The Board did not monitor the health insurance payments to the former Town Supervisor.

In 2010, the Board approved a resolution to pay for the Supervisor's costs for his health insurance. He was paying the City of Ithaca for his health insurance that he maintained after retirement. The town was cutting a check to the City of Ithaca each month to pay these health insurance costs. The resolution from 2010, as the auditors noticed, had a cap of \$600/month. Throughout the years of the Supervisor's service the town continued to pay this health insurance bill. There are two things that happened in this situation. One is that the City of Ithaca was deducting from the health insurance bill that they were sending to the town on the Supervisor's behalf the amount of a benefit that the Supervisor was entitled to through retirement with the City. He did not know this at the time and the town had no way of knowing it either. It was discovered upon the Supervisor's leaving service to the Town. Therefore, a credit for ten years of underpayments was due to the Supervisor for amounts deducted from the bills sent to the Town. Following Board review of supporting documentation from the City of Ithaca, a check was cut to reimburse the Supervisor for what he was entitled to.

Secondly, although the known intention of the board when approving the Supervisor's health insurance as a town expenditure ten years earlier was to cover the total cost of insurance, a cap of \$600 dollars was stated. As the years went by and the amount of the premium went up, the town did not go back and amend the resolution. This mistake was made from not recalling the cap portion of the resolution, but continuing to act based on the intent of the Board authorization. The resolution should have been amended.

PLAN OF ACTION:

As a result of the Auditors' thorough review of health insurance reimbursements to employees who were not on the town's policy, it has become obvious that there needs to be a policy in place for such reimbursement to employees. In the upcoming year, the town will work on putting together a policy that outlines all procedures for health insurance buy backs or reimbursements to employees. This policy will establish a procedure that can be followed as

new employees are hired and current employees review their health insurance opportunities.

OTHER FINDINGS

1. Taxes and Fees

There are times when purchases are made and the vendor has charged tax to the town for the purchase. Being a tax-exempt entity, the town should not be paying sales tax. We check all the bills before payment to be certain that tax is not being charged. We catch most of them, but there are times when tax is already charged through a credit card purchase. Our course of action at that time is to contact the vendor and either get a refund for the tax amount or get a credit applied to our credit card.

There are times when out of state purchases are made in the Highway Department for parts. Some states do not recognize the tax-exempt status from another state and the credit card gets charged the tax. We try to recoup the amount, but are not always successful.

PLAN OF ACTION:

We will continue to monitor bills and take off the tax charges when we are processing payment. The town will continue to diligently seek refunds from any companies that have charged sales tax inappropriately. The town staff will continue to mention the tax-exempt status of the town when making purchases.

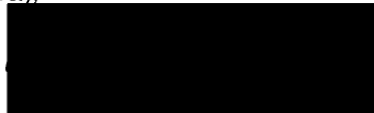
2. Bank Fees

Banks have many different services. The banks that we have used over the years charge bank fees for maintaining accounts and for providing online services. The Bookkeeper has been charging these bank fees to the Supervisor Contractual Line. The Auditors have pointed out that these charges should be presented to the board on the abstract. The Auditors have also suggested that we should not be paying fees to banks for services and that other deals, so to speak, could be worked out.

PLAN OF ACTION:

Over the last year, the Supervisor and the Bookkeeper have been making contact with other banks. In the upcoming year, the current bank of the town, as well as other banks, will be called to present their package of services and their fee structure. The Town Board will review the offers and decide on a bank that will serve the town's needs at minimum overall cost, minimizing or eliminating fees.

Sincerely,

A black rectangular redaction box covering the signature of Joel Gagnon.

Joel Gagnon, Danby Town Supervisor

Appendix B: OSC Comment on the Town's Response

Note 1

The Board approved claims that lacked support and several payments were made prior to Board audit.

Appendix C: Audit Methodology and Standards

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, our audit procedures included the following:

- We interviewed Town officials and reviewed Town policies and procedures and Board meeting minutes and resolutions to gain an understanding of and evaluate the adequacy of procurement policies and procedures.
- We reviewed the abstract sequencing for the general and highway funds for the audit period to determine whether the Board was presented with the claims recorded on the copy of the abstract filed with the Clerk.
- We compared all recorded disbursement activity for the general and highway funds in the cash disbursements journal to bank activity to gain an accountability and determine the reliability of the cash disbursements journal.
- We used our professional judgment to select a sample of 219 claims totaling \$711,068 to determine whether they were properly supported, for appropriate Town purposes, no unnecessary fees or interest was paid and were audited and approved by the Board. We included claims from various procurement policy and competitive bidding thresholds, aggregated vendor purchases, all propane and utility purchases and health insurance payments to officials. These claims were selected from the period January 1, 2020 through August 31, 2021. We expanded our audit period to July 11, 2022 to review documentation provided to us pertaining to the procurement policy and County contracts and discussions with officials.
- We reviewed all purchases recorded in the cash disbursements journal to determine whether the Town made any duplicate payments. We then reviewed Town records to determine whether the Town received credits for any duplicate payments.
- We reviewed all 19 Town credit card statements for the audit period and used our professional judgment to select a sample of 86 purchases, totaling \$29,590, for amounts greater than \$100 or made to high-risk vendors, to determine their propriety, and whether they were properly supported, audited prior to payment, adhered to established Town policies and no unnecessary fees were incurred.
- We reviewed all Town credit accounts and used our professional judgment to select a sample of 11 purchases for amounts of \$100 or greater totaling \$3,908, to determine their nature and propriety, and whether they were properly supported, audited prior to payment, adhered to established Town policies and no unnecessary fees were incurred.
- We reviewed all 43 purchases made by Town officials with the Town credit card to an online vendor, totaling \$3,830 to determine their nature and

propriety and reconcile the online vendor purchase activity to the Town credit card activity.

- We aggregated 161 purchases based on product description recorded in the cash disbursements journal for 2020 totaling \$395,730 to determine whether the Town properly bid these purchases or obtained and documented the minimum required number of quotes.
- We used our professional judgment to select a sample of five individual purchases totaling \$145,927 that exceeded the competitive bidding thresholds to determine whether officials properly bid each of the purchases.
- We used our professional judgment to select a sample of 16 purchases totaling \$64,015 that included all thresholds of the Town's procurement policy to determine whether they adhered to the policy.
- We reviewed all 12 propane purchases totaling \$30,511 to determine whether aggregate purchases were subject to bidding or procurement policy requirements and whether the Town procured fuel at a competitive rate.

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

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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to our office within 90 days. 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 the CAP available for public review.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.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/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/academy

Contact

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Division of Local Government and School Accountability
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Local Government and School Accountability Help Line: (866) 321-8503

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