

# Town of Sanford

## Claims Audit Process

MARCH 2022



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

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# Report Highlights

## Town of Sanford

### Audit Objective

Determine whether Town of Sanford (Town) officials ensured that claims were appropriately audited and approved and goods and services were received.

### Key Findings

While Town officials ensured that goods and services were received for the claims we reviewed, the Town Board (Board) did not ensure all claims were appropriately audited and approved.

- Out of 200 claims reviewed, the Board did not audit 69 claims totaling \$150,187 as required by New York State Town Law Section 118.
- Town officials may have saved \$5,010 in fuel costs if they had used the State contract pricing option.

### Key Recommendations

- Audit and approve all claims as required by law.
- Ensure all claims requiring Board audit are presented to the Board, and only audited and approved claims are listed on abstracts of audited claims.
- Periodically compare prices to State contracts and contracts bid by other governments to help ensure purchases are cost effective and in the best interest of taxpayers.

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

### Background

The Town, located in Broome County, is governed by an elected five-member Board, which consists of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for general oversight of the operations and finances, including auditing claims.

The Supervisor serves as the chief financial officer. The Supervisor designated a secretary to assist with bookkeeping and other financial duties. The Town has several department heads, including the Highway Superintendent, responsible for procuring goods and services.

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

#### Quick Facts

##### During the Audit Period

Claims	1,268
Non-Payroll Expenditures	\$4.9 million
Fuel Purchases	\$106,343

### Audit Period

January 1, 2020 – July 31, 2021

# Claims Audit Process

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## What Is an Effective Claims Audit Process?

To ensure that tax dollars are spent efficiently, it is essential that a board conducts a thorough and deliberate audit of claims before payments are authorized, allowing the board to determine whether proposed payments were properly supported by itemized invoices or receipts, for goods and services received and for legitimate and necessary expenditures. In a town in which there is no comptroller, when a claim has been audited and approved by the town board, the town clerk is responsible for preparing and certifying an abstract of the audited claims, authorizing and directing the town supervisor to pay the claimant the amount allowed.

Unless an exception applies, New York State Town Law (Town Law) Section 118 requires the board to audit all claims before payment. For example, a board, by resolution, may authorize payment in advance of the audit of claims for public utility services, postage, freight and express charges. However, such claims should be presented at the next regular board meeting for audit. Also, Town Law Section 118 provides an exception to the claims audit process for fixed salaries, principal and interest on debt and lawful contracts exceeding one year.

As part of the claims audit process, a board is responsible for ensuring goods and services were procured competitively and in the best interest of taxpayers. In lieu of directly seeking competition for goods and services, a town is authorized to make purchases using contracts awarded by the New York State Office of General Services (State contracts) or contracts bid by other governments. While purchasing through State and other government contracts may be advantageous, it is not required and does not guarantee a lower price and/or suitable quality item. Therefore, local procurement policies and procedures generally should ensure that competition is sought in a reasonable and cost-effective manner. This could be accomplished by comparisons of prices to catalogs or other market price comparisons.

## The Board Did Not Approve All Claims as Required

Claims were generally prepared and signed by the appropriate department head responsible for providing proper documentation for the claim, reviewing the claim for accuracy and ensuring that the goods and services were received. The Supervisor's secretary compiled all claims and supporting documentation and prepared the abstracts (i.e., a listing of all claims) and claims packets for presentation to the Board for audit and approval each month. After the Board audited and approved claims, the Clerk certified the abstract of audited claims directing the Supervisor to make payment.

The Board, in an annual resolution, authorized utility service claims to be paid when received, with the paid claims to be audited by the Board after payment. Although Town officials generally paid utility service claims when received, the Board did not audit these claims after payment, and other claims were not audited prior to payment as required.

We reviewed a sample of 200 claims totaling \$447,652 paid during the audit period to determine whether they were properly supported, for legitimate purposes and Board-audited.<sup>1</sup> All claims reviewed were properly supported and legitimate. However, 69 claims totaling \$150,187 were not audited by the Board (Figure 1).

These claims were not audited because the Clerk did not ensure that all claims requiring Board audit were presented to the Board before certifying the abstracts of audited claims. The Supervisor’s secretary was unaware the prepayment of utility service claims required Board audit after payment. In addition, the Supervisor’s secretary thought contractually based payments (including those for contracts not exceeding one year) did not require an audit. As a result, the Board did not receive all claims requiring audit and the abstracts of audited claims included certain claims that were not actually audited or approved.

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 the Board.

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**Figure 1: Claims Not Audited by the Board**

Category	Number of Claims	Amount
<b>Utilities</b>	36	\$10,086
<b>Insurance (Health and Other)</b>	22	105,524
<b>Equipment</b>	5	13,381
<b>Supplies</b>	3	380
<b>Payments to Other Municipalities</b>	2	19,952
<b>Software</b>	1	864
<b>Total</b>	<b>69</b>	<b>\$150,187</b>

When we identified utility service claims not being audited after payment, we notified the Supervisor and he immediately took corrective action while we were on site by revising procedures to ensure these claims were presented to the Board for audit and approval at the subsequent Board meeting. As a result, eight utility service claims totaling \$2,042 in our sample were properly audited after payment.

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<sup>1</sup> Refer to Appendix B for information on our sampling methodology.

In addition, for 100 of the claims in our sample, totaling \$242,072, we verified that goods and services were received by reviewing delivery details on invoices, reviewing Board minutes and/or locating purchased items on Town premises. Examples of items located include:

- An emergency light bar installed on a truck,
- A fuel pump hose and handle installed on a truck,
- A weed trimmer,
- A new printer for the highway garage, and
- Repairs to the steps to the highway garage office.

Although our testing results did not identify any significant errors or improprieties, paying claims without Board audit increases the risk that inaccurate or improper payments could be made.

### Town Officials May Have Saved on Fuel Costs

Within our initial sample of claims, we found two claims for fuel (including diesel, kerosene and unleaded gasoline) purchases totaling \$9,644. We compared the prices the Town paid for these fuel purchases with the prices available from State contracts. We found that, generally, the State contract prices were lower. Therefore, we expanded our sample to compare all 22 claims for fuel purchases during the audit period, totaling approximately \$106,400, to State contract prices and found that Town officials may have saved \$5,010, or 4.7 percent, on fuel purchases if they used the State contract pricing option (Figure 2). To obtain the rates offered through State contracts, the Town would need to file necessary requirements with the New York State Office of General Services prior to the awarding of such contracts or receive agreement from a State contract vendor to be added to its delivery schedule after the awarding of such contracts.

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**Figure 2: Potential Fuel Cost Savings**

Year	Amount Purchased	Cost Savings	Percent Savings
2020	\$49,720	\$2,878	5.8%
2021 (through July)	56,623	2,132	3.8%
<b>Total</b>	<b>\$106,343</b>	<b>\$5,010</b>	<b>4.7%</b>

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Diesel fuel purchases exceeded the threshold of \$20,000 requiring a competitive bidding process in 2020 and 2021. Town officials appropriately solicited bids and accepted the bid from the only vendor who responded each year. Although diesel fuel was properly bid, Town officials should have compared bid prices with State contracts and contracts bid by other governments to help ensure purchases were made in the best interest of the taxpayers. The Highway Superintendent and other Town officials had not considered this option, but the Highway Superintendent told us he would compare prices with these other options for future purchases.

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

The Board should:

1. Audit and approve all claims in accordance with Town Law.

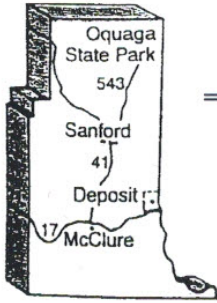
The Clerk should:

2. Ensure all claims requiring Board audit are presented to the Board for audit.
3. Ensure only audited and approved claims are listed on the abstracts of audited claims.

Town officials should:

4. Periodically compare prices to State contracts and contracts bid by other governments to help ensure purchases are cost effective and in the best interest of taxpayers.

# Appendix A: Response From Town Officials



## **TOWN OF SANFORD**

BROOME COUNTY 91 SECOND STREET DEPOSIT, N.Y. 13754  
PHONE: (607) 467-3214 · FAX: (607) 467-5414

February 10, 2022

EST. 1821  
55, 337 ACRES

**Supervisor**  
**DEWEY A. DECKER**  
**(607) 467-2935**

**Councilmen**  
**KENNETH R. WIST**  
**ALICE J. RAY**  
**SHANE LESTER**  
**JAY V. VANDERMARK**

**Town Clerk/Tax Collector**  
**ALISON LANG**  
**(607) 467-3214**

**Town Justices**  
**DEBORAH PROFFITT**  
**GARY L. HOLDREGE**  
**(607) 467-2516**

**Highway Superintendent**  
**GERALD D. SEYMOUR**  
**(607) 467-2923**

**Assessor**  
**BECKY HERZOG-OTTENS**  
**(607) 467-5093**

**Code Enforcement Officer**  
**PETER J. HATHAWAY**  
**(607) 761-7536**

Office of the New York State Comptroller  
Division of Local Government & School Accountability  
PSU-CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

Re: Town of Sanford NY response and CAP to OSC Claims Audit Process Report of Examination 2021M-189

Dear Sir or Madam:

This letter is in response to the audit findings and recommendations by the Office of the New York State Comptroller regarding the Claims Audit Process Report of Examination for the period of January 1, 2020 through July 31, 2021 for the Town of Sanford, Broome County, NY. This audit response is also serving as our Corrective Action Plan (CAP).

First, we would like to state that the auditors involved in this process were very professional, efficient and exceptional to work with. It was a very trying time to conduct an audit during the COVID Pandemic and these auditors made it a pleasure. They were very patient with us as well as explained each aspect of the audit in such a way that it was clear, concise and easy to understand. They made the process enjoyable and took the stigma of the word "audit" away.

In response to the audit findings, the Town of Sanford agrees with ALL the findings and recommendations. We will specify more below:

Finding #1: While Town officials ensured that goods and services were reviewed, the Town Board (Board) did not ensure all claims were appropriately audited and approved.

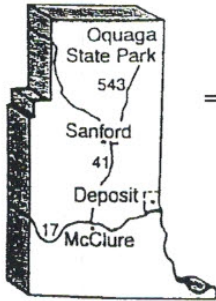
Recommendation:

The Board should:

1. Audit and approve all claims in accordance with Town Law

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The Clerk should:

2. Ensure all claims requiring Board audit are presented to the Board for audit.
3. Ensure only audited and approved claims are listed on the abstracts of audited claims.

We agree with both the finding as well as the recommendations. Once we were made aware that prepaid claims (pre-approved utility payments) must also be presented to the board for audit, we immediately made that correction and have been doing so ever since.

Finding #2: Town officials may have saved \$5,010 in fuel costs if they had used the State contract pricing option.

Recommendation:

Town officials should:

1. Periodically compare prices to State contracts and contracts bid by other governments to help ensure purchases are cost effective and in the best interest of taxpayers.

We agree with both the finding as well as the recommendation. While this option had not been previously considered by the Highway Superintendent and other Town officials, it certainly will be moving forward. Once it was pointed out to him, the Highway Superintendent instantly agreed that he would compare prices with the other options for future purchases.

Once again, we completely agree with all findings and all recommendations. We thank you for your time and professionalism.

Respectfully,

Dewey A. Decker  
Town 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, our audit procedures included the following:

- We interviewed Town officials and reviewed Board meeting minutes, abstracts, claims and bank statements to gain an understanding of the claims audit and approval process and relevant policies and procedures.
- We used our professional judgment to select 200 claims totaling \$447,652. We reviewed our sample to determine whether the claims were supported, for legitimate purposes, mathematically accurate, properly audited by the Board and were listed on Board-approved abstracts.
- For 100 of the claims in our sample, we reviewed invoice details, documentation in the Board minutes and/or located purchased items on Town premises to determine whether goods and services were received.
- We reviewed all 22 claims for fuel purchases made during the audit period totaling \$106,343 and compared the prices paid to State contract prices to determine whether Town officials may have achieved cost savings.

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. 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 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 Town Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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

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## Contact

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