



# Village of Canaseraga

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## Claims Audit

**2023M-48 | July 2023**

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# Report Highlights

## Village of Canaseraga

### Audit Objective

Determine whether Village of Canaseraga (Village) claims were adequately supported, appropriate and properly audited and approved before payment.

### Key Findings

Although the 300 claims reviewed were for appropriate Village purposes, certain claims were not adequately supported or properly audited and approved before payment. As a result, there was an increased risk that improper or unsupported payments could have been made and not detected and corrected.

Of the 300 claims we reviewed totaling approximately \$758,000, 205 claims (68 percent) totaling approximately \$656,000 had one or more exceptions and should not have been approved for payment:

- 145 claims totaling approximately \$588,000 were paid without evidence of being audited or reviewed by the Village Board (Board).
- 64 claims totaling approximately \$114,000 were paid prior to scheduled monthly Board meetings and were not audited prior to payment.
- 27 claims totaling approximately \$24,000 did not have departmental approval and 20 claims totaling approximately \$4,400 were not mathematically accurate when paid.

Board members did not know what their claims audit responsibilities were, nor did they take training to learn what their claims audit responsibilities were.

### Key Recommendations

- Conduct a thorough and deliberate audit of each claim presented for payment.
- Discontinue paying claims prior to audit unless for an authorized prepaid expenditure.

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

### Background

The Village is located in the Town of Burns in Allegany County and is governed by the elected five-member Board, composed of the Mayor and four Trustees.

The Board is responsible for the general management and oversight of Village operations, including auditing and approving claims for payment. The Mayor, as the Village's chief executive officer, is responsible for its day-to-day management.

The appointed Clerk-Treasurer is the chief fiscal officer and is responsible for the Village's day-to-day financial activities, which includes processing disbursements.

#### Quick Facts

|                                 |           |
|---------------------------------|-----------|
| 2022-23 Budgeted Appropriations | \$533,015 |
|---------------------------------|-----------|

#### Claims Processed

June 2020 – September 2022

|               |               |
|---------------|---------------|
| Dollar Amount | \$1.9 million |
|---------------|---------------|

|                  |       |
|------------------|-------|
| Number of Claims | 1,007 |
|------------------|-------|

### Audit Period

June 1, 2020 – February 8, 2023

# Claims Auditing

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## What Is a Proper Claims Audit?

A proper claims audit is a thorough and deliberate examination to determine that a claim is a legal obligation and a proper charge against a village. A claim packet should contain enough detail and documentation so that the auditing body is supplied with sufficient information to make that determination. Generally, a village board must audit all claims against a village before payment is made.<sup>1</sup> A village board's audit responsibilities include determining, among other things, that a claim is:

- For a valid and legal purpose,
- Mathematically correct,
- Sufficiently itemized,
- Approved by the proper department, and
- Supported by sufficient documentation such as detailed receipts, invoices and receiving documentation.

After the village board has completed its audit, and when the same individual serves as both the clerk and treasurer, the mayor is required to sign the abstract (i.e., listing of audited claims) directing the clerk-treasurer to pay the claims approved by the village board. The minutes of the village board meeting should reflect what claims have been audited and whether they were allowed or disallowed, in whole or in part. The board minutes should also indicate the beginning and ending claims numbers approved for payment, and the total amounts approved by fund.

## Claims Were Not Properly Audited

We reviewed a sample of 300 claims paid during the audit period<sup>2</sup> totaling approximately \$758,000 and found that the Board did not perform an adequate claims audit. In addition, the Mayor did not sign any of the 50 abstracts of audited claims included in our sample, as required. Of the 300 claims we reviewed, 205 claims (68 percent) totaling approximately \$656,000 had one or more exceptions and should not have been paid by the Clerk-Treasurer.<sup>3</sup> Specifically:

- 145 claims totaling approximately \$588,000 were either not included in the Board minutes as being audited by the Board, or the claim forms themselves did not include evidence, such as signatures or initials, that the Board had audited the claims prior to payment.

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<sup>1</sup> A board may, by resolution, authorize payment for public utility services, postage, freight and express charges in advance of audit. The claims for such advance payments must be presented at the next regular board meeting for audit.

<sup>2</sup> See Appendix B for more information on our sampling methodology.

<sup>3</sup> Some claims had multiple exceptions.

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- 64 claims totaling approximately \$114,000 were paid prior to Board meetings and were not audited prior to payment. These included payments for credit card charges, engineering services, waste disposal, employee reimbursements and professional association membership fees.
  - 27 claims totaling approximately \$24,000 did not have departmental approval included on the voucher before payment was made.
  - 20 claim forms totaling approximately \$4,400 were not mathematically accurate when paid. This included several claims where the check was written for the correct corresponding amount of the attached invoices, but the summary vouchers and claim forms completed by the Clerk-Treasurer included mathematical errors.
  - Nine claims totaling approximately \$1,200 did not contain sufficient supporting documentation attached such as original receipts or invoices to allow for a proper audit or demonstrate that the purchases were for a valid Village purpose. Therefore, the Board should not have approved the claims for payment.

Although we were able to verify that all nine purchases, as well as the other 291 claims, were for an appropriate Village purpose, approving claims without sufficient supporting documentation increases the risk that improper or unsupported payments could be made and not be detected and corrected.

The Clerk-Treasurer prepares claims and abstracts of unaudited claims monthly for the Board to audit during the regular monthly meetings. This includes the preparation of two abstracts of unaudited claims per operating fund; one for claims that have already been paid by her prior to the monthly Board meeting and one for claims that have not been paid yet.

The Clerk-Treasurer told us that she would pay claims prior to Board audit, even though she knew they were not permissible prepaid items, to avoid potential late charges. She also told us she would pay claims that lacked adequate support, such as receipts and invoices, to also avoid any potential late charges. However, paying claims prior to audit is not permissible unless it has been authorized by Board resolution and is one of the types of purchases permitted by New York State Village Law Section 5-524(6) to be paid in advance of audit. Additionally, paying claims prior to audit or paying incomplete or unsubstantiated claims could result in the Village making inappropriate, excessive or unauthorized payments. As such, the Clerk-Treasurer and the Board need to better plan, organize and structure their bill payment schedules to avoid potential late charges and to provide sufficient time for Board members to audit and approve claims before payment is made.

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...[P]aying claims prior to audit or paying incomplete or unsubstantiated claims could result in the Village making inappropriate, excessive or unauthorized payments.

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Claims were not adequately supported or properly audited and approved before payment because Village officials did not know what their claims audit responsibilities were, nor did they take training to learn what their claims audit responsibilities were. Three of the Board members we spoke with, including the Mayor, told us that they were unaware that the Clerk-Treasurer should not have been paying certain claims before they were audited and approved, nor were they aware of what specific support should have been included in each claim packet. They told us that due to the limited size of the Village and the scarcity of Village funds for training, they have not pursued opportunities for fiscal training for their elected positions. During our fieldwork we shared multiple publications with them from our *Local Government Management Guide* series, as well as website links for no-cost or low-cost training.<sup>4</sup>

Both the Mayor and the Clerk-Treasurer also told us that prior to speaking with auditors from the Comptroller's Office, they were unaware that Board meeting minutes should have included the beginning and ending claims numbers approved for payment and the total amounts approved by fund, and that the Mayor should have signed all abstracts of audited claims. Both the Mayor and the Clerk-Treasurer told us they would make sure these requirements are met going forward.

Although all 300 claims reviewed were for an appropriate Village purpose, there was an increased risk that improper or unsupported payments could have been made and may not have been detected and corrected because claims were not adequately supported or properly audited before payment.

## **What Do We Recommend?**

The Clerk-Treasurer should:

1. Enter into the Board meeting minutes what claims have been audited and whether they were allowed or disallowed as well as the beginning and ending claims numbers approved for payment, and the total amounts approved by fund.
2. Discontinue paying claims prior to audit unless advanced payment is permissible and has been authorized by Board resolution.
3. Confirm that each claim presented to the Board is mathematically accurate and contains the proper original supporting documentation such as invoices and receipts and all the needed signatures indicating departmental approval.

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<sup>4</sup> See Appendix C for additional information.

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The Mayor should:

4. Familiarize herself with the training resources included in Appendix C of this report and attend training focusing on her fiscal oversight responsibilities, when feasible.
5. Sign all abstracts of audited claims ordering the Clerk-Treasurer to pay claims as required.

The Board should:

6. Familiarize itself with the training resources included in Appendix C of this report and attend training focusing on the Board's fiscal oversight responsibilities, when feasible.
7. Conduct a thorough and deliberate audit of each claim presented for payment including verifying that each claim is for a valid and legal purpose, mathematically correct, sufficiently itemized, contains the proper departmental approvals, and that sufficient documentation is attached including detailed receipts, invoices and receiving documentation.

# Appendix A: Response From Village Officials

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## **Village of Canaseraga**

*10 Main Street, P.O. Box 235  
Canaseraga, NY 14822  
Phone & Fax (607)545-8963*

**Office Hours 9:00am-2:30pm Monday-Friday  
5:00pm-7:00pm Wednesday**

### **Mayor**

*Jessica Satterfield*

### **Deputy Mayor**

*Edna Brewster*

### **Clerk/Treasurer**

*Mary Underwood*

### **Trustee**

*Denise Spike*

### **Trustee**

*Terry Gordon*

### **Trustee**

*Leath DeRitter*

In response to the Report of Examination for the Village of Canaseraga Audit, the Board of Trustees reviewed each part of the report and we acknowledge and understand it is our duty to correct each item to the best of our ability.

In the report, it was noted that a majority of claims were incorrect due to missing signatures or initials on them. We, as a board, were notified of this issue during the audit and quickly moved towards correcting it. Board Members review each packet and sign/initial in the appropriate spots. Also, we noted that there were a decent amount of claims that were not audited prior to payment and that is due to a misunderstanding we had as members. Many of us did not know this was inappropriate due to our short time in office.

The report showed claims lacking department head approval along with claims lacking certain documentation for purchase. We attribute that to the lax nature of our Volunteer Department heads. This was something that many of us were unaware of being an issue. However, the clerk and the new mayor have been trying to encourage proper documentation when purchases are being presented to the clerk for payment by this department.

We were happy to see that everything could be verified that was looked at during the audit. Board members had a positive outlook on the report and appreciated the shared information for training online for the responsibilities they hold in their positions. We also found that many of the items that were talked about in the report had started to be addressed already.

Overall, the board agrees that the audit was handled well and resulted in positive results for the future of our finances and understanding of the responsibilities we each have as elected officials.

This institution is an equal opportunity provider and employer.

## 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 Village officials, including the Mayor, Board members, the Clerk-Treasurer and department heads and reviewed Board meeting minutes to gain an understanding of the Village's process to prepare, approve, audit and pay claims.
- From a population of 1,007 claims totaling approximately \$1.9 million, we used our professional judgment to select an initial sample of 294 claims totaling \$756,625. We selected our sample to include the claims paid during the months of June 2020 through September 2020, and June 2021 through September 2021 which is the beginning of the Village's fiscal year and had the greatest number of transactions taking place. We then extended our sample, based on the risk of fraud, to include all six additional fuel purchases between June 2020 and September 2021 totaling an additional \$1,290.
- We reviewed these claims to determine whether the claims were: properly authorized and approved, adequately supported, mathematically correct, an appropriate Village purpose and audited and approved before payment. We also reviewed each of the claim's corresponding abstract of audited claims to determine whether they were signed by the Mayor.

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 Clerk-Treasurer'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

[www.osc.state.ny.us/local-government/publications](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

**BUFFALO REGIONAL OFFICE** – Melissa A. Myers, Chief of Municipal Audits

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