



# Village of Afton

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## Claims Auditing and Disbursements

2023M-177 | April 2024

# Contents

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- Report Highlights . . . . . 1**
  
- Claims Audit and Non-Payroll Disbursements . . . . . 2**
  - What Is a Proper Claims Audit? . . . . . 2
  - The Board Did Not Properly Audit Claims . . . . . 2
  - What Is Proper Monitoring of Non-Payroll Disbursements? . . . . . 3
  - The Board Did Not Properly Monitor Non-Payroll Disbursements . . . 3
  - What Do We Recommend? . . . . . 4
  
- Appendix A – Response From Village Officials . . . . . 5**
  
- Appendix B – Audit Methodology and Standards . . . . . 8**
  
- Appendix C – Resources and Services . . . . . 10**

# Report Highlights

## Village of Afton

### Audit Objective

Determine whether the Village of Afton (Village) Board properly audited claims and monitored non-payroll disbursements.

### Key Findings

The Board did not properly audit claims. As a result, payments were made prior to audit, for unsupported claims and for inappropriate purposes. Of the 98 claims totaling \$155,528 reviewed:

- 53 claims totaling \$13,356 were paid prior to audit and one claim totaling \$793 did not include adequate supporting documentation, such as itemized receipts.
- The Village reimbursed the former Mayor for two payments totaling \$1,500 for the Village’s accounting software, paid with her personal credit card. The Village should not reimburse anyone other than current Village officials or employees.

In addition, we reviewed 50 disbursements totaling \$11,480 and determined that the Board did not properly monitor non-payroll disbursements, which is important as the Clerk-Treasurer performs all aspects of the process without any oversight. As a result, there is an increased risk that errors or inappropriate transactions could occur and remain undetected.

### Key Recommendations

- Discontinue authorizing the Clerk-Treasurer to pay claims in advance of audit and ensure claims contain sufficient supporting documentation before approving them for payment.
- Pay for Village expenditures directly and not through reimbursements to Village residents.

Village officials generally agreed with our recommendations and indicated they have initiated corrective action.

### Audit Period

June 1, 2022 – May 31, 2023.

We extended the audit period back to June 1, 2019 to review additional disbursements made to Village officials and employees.

### Background

The Village is located in Chenango County and is governed by an elected five-member Village Board (Board), composed of the Mayor and four Trustees.

The Board is responsible for the overall management and oversight of Village operations. The Mayor is the chief executive officer and is responsible for its day-to-day management.

The Clerk-Treasurer is the chief financial officer and is responsible for the Village’s day-to-day financial activities, which includes preparing claims and processing disbursements. The Clerk-Treasurer has served in the position since 2010.

#### Quick Facts

##### Total Non-Payroll Disbursements

Number	476
Dollar Amount	\$1.45 million

##### Claims and Disbursements Reviewed

Number	148
Dollar Amount	\$167,008

# Claims Audit and Non-Payroll Disbursements

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## What Is a Proper Claims Audit?

A proper claims audit determines whether the claim complies with village policies, the amount claimed represents actual and appropriate expenditures, and the proposed payment is for a valid purpose. To enable the village board to adequately perform this audit, each claim must contain enough supporting documentation for the board to make these determinations. In addition, the expenditure must have been incurred by an authorized village official and items and services were received or rendered. Pursuant to New York State Village Law Section 5-524, unless an exception applies, the village board is required to audit all claims before payment.<sup>1</sup>

## The Board Did Not Properly Audit Claims

We reviewed 98 claims totaling \$155,528 and determined that claims were paid prior to audit or lacked adequate support. Unless stated otherwise, we were able to determine that the claims were for appropriate purposes by reviewing supporting documentation and from discussions with Village officials.

Claims Paid Prior to Audit – We determined that 53 claims totaling \$13,356 were paid prior to Board audit, including 40 claims totaling \$12,045 for office supplies, highway supplies, hardware and fuel, and 13 claims totaling \$1,311 for payments made to Village officials and employees.<sup>2</sup> All claims paid prior to Board audit were audited at the next Board meeting.

Unsupported Claim – One claim totaling \$793 did not include adequate supporting documentation, such as itemized receipts. The unsupported claim was a payment for vehicle repairs and maintenance. The Clerk-Treasurer told us receipts are required for claims, but that a receipt may not have been available at the time the claim was processed. At the end of our audit, the Clerk-Treasurer provided us with an itemized invoice to support the claim. However, this claim was approved for payment without the receipt to support the claim. As a result, the Board did not have adequate information at the time of audit to determine whether the expenditure was appropriate.

Inappropriate Payments – The Village reimbursed the former Mayor in October 2021 and September 2022 for two payments totaling \$1,500 for the Village's annual accounting software subscription, which were inappropriately charged to the former Mayor's personal credit card while she was not an employee or official

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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> Payments included office cleaning and reimbursements for landscaping items, highway supplies, office supplies and postage.

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of the Village. The Clerk-Treasurer told us the Village has reimbursed the former Mayor for this annual expenditure for as long as she has been Clerk-Treasurer and continued this process for two years after the former Mayor left office. The Clerk-Treasurer told us she has initiated a change in payment method and the change will take effect with the next annual software subscription renewal.

The Village's claims were not properly audited because the Board authorized the Clerk-Treasurer to pay claims in advance of Board audit, which is improper because the Board cannot authorize the advance payment of claims unless an exception applies.<sup>3</sup> The Clerk-Treasurer told us this authorization originated from a previous administration, and she was unsure about the underlying reason for its initiation. She told us she has discontinued paying claims prior to audit, since we informed her claims should be audited prior to payment. Furthermore, the Board relied on the Clerk-Treasurer to ensure claims were supported. When claims are paid prior to Board audit and are not thoroughly reviewed, the Board cannot be sure that funds are expended for legitimate purposes and the Village is at an increased risk for fraud, waste or abuse.

We provided the Mayor and the Board with guidance available in our claims audit publication *Improving the Effectiveness of Your Claims Auditing Process*.<sup>4</sup>

### **What Is Proper Monitoring of Non-Payroll Disbursements?**

Officials have the responsibility to monitor disbursement activity by having the village board or someone independent of the cash disbursements process routinely review the clerk-treasurer's monthly bank reconciliations, bank statements, bank transfers and canceled check images for anything out of the ordinary, such as suspicious payees and large dollar amounts. This helps ensure that funds are properly accounted for and used for legitimate village expenditures. This review is especially important when the clerk-treasurer has the ability to authorize, execute and record a transaction or control the entire disbursements process.

### **The Board Did Not Properly Monitor Non-Payroll Disbursements**

We reviewed 50 non-payroll disbursements totaling \$11,480 to determine whether they were for appropriate purposes. While we determined these disbursements were for appropriate Village purposes, the Clerk-Treasurer performs all aspects of the cash disbursements process. Duties include preparing and signing checks, recording disbursements and reconciling bank statements. The Clerk-Treasurer

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When claims are paid prior to Board audit and are not thoroughly reviewed, the Board cannot be sure that funds are expended for legitimate purposes. ...

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... [T]he Clerk-Treasurer performs all aspects of the cash disbursements process.

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<sup>3</sup> See supra, note 1.

<sup>4</sup> <https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

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performed these duties without adequate oversight. For example, no one independent of the disbursements process reviewed monthly bank reconciliations, bank statements and canceled check images to ensure only legitimate claims were paid.

The most tenured Board member told us that the Board performs an annual audit of the Clerk-Treasurer's records, but the audit did not include a review of canceled check images. The Board member indicated that she did not realize the importance of reviewing bank statements and check images on a routine basis. As a result of not performing this review, there is an increased risk that errors or inappropriate transactions could occur and remain undetected.

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

The Board should:

1. Discontinue authorizing the Clerk-Treasurer to pay any claims in advance of audit unless an exception applies.
2. Ensure claims contain sufficient supporting documentation before approving them for payment.
3. Pay for Village expenditures directly and not through reimbursements to Village residents.
4. Establish compensating controls to provide additional oversight of the Clerk-Treasurer, such as a review of bank reconciliations, bank statements and canceled check images.

The Clerk-Treasurer should:

5. Ensure all claims contain adequate supporting documentation and are presented to the Board for audit prior to payment.

# Appendix A: Response From Village Officials

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**VILLAGE OF AFTON  
P O BOX 26  
AFTON NY 13730**

Phone (607) 639-1022 Fax (607) 639-2991  
Hours: Monday thru Thursday – 9am to 2:30

March 6, 2024

Re: Village of Afton, NY

Audit Response and Corrective Plan

The Village of Afton is in receipt of the draft audit report of examination of claims auditing and disbursements for the period of June 1, 2022 through May 31, 2023. As well as the extended scope back to June 1, 2019 to review additional disbursements made to village officials and employees. This audit has been prepared by the Office of State Comptroller. The Village of Afton Board of Trustees and the Mayor would like to thank the Comptroller's staff for their professionalism and courtesy in conducting their duties associated with this audit.

Sincerely,

Patrick Dedman  
Afton Mayor

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Village of Afton

Claims Auditing and  
Disbursements

Report of Examination  
2023M – 177

Audit Recommendations:

The Board should:

1. Discontinue authorizing the Clerk- Treasurer to pay any claims in advance of audit unless an exception applies.

The Village Board of Trustees has already implemented that the Clerk/Treasurer should only pay authorizes payments in advance of the audit of claims for public utility services, postage, freight and express chargers. Payment of the said claims in advance will be noted within the village’s organizational meeting.

2. Ensure Claims contain sufficient supporting documentation before approving them for payment.

The Village Board of Trustees will ensure that invoices are included along with billing statements outlining the exact services performed or goods purchased before approving claims for payment.

3. Pay for village expenditures directly and not through reimbursements to village residents.

The Village Board of Trustees will only allow submitting of reimbursement payment to be made to employees only.



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4. Establish compensating controls to provide additional oversight of the Clerk-Treasurer, such as a review of bank reconciliations, bank statements and cancelled check images.

The Village Board of Trustees has already implemented review of the village's bank statements, each bank statement includes the bank reconciliation and cancelled check images along with copies of each deposit that was made into the bank accounts. At least two or more Village Trustees are initialing and dating each bank statement as it is viewed at our monthly meetings.

The Clerk –Treasurer should:

5. Ensure all claims contain adequate supporting documentation and are presented to the Board for audit prior to payment.

The Village Clerk/Treasurer will ensure that all supporting documentation is supplied to the Village Board of Trustees prior to the claims process, such as invoices being included with billing statements outlining the exact services performed or goods purchased.

## 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Village officials and reviewed Village procedures, Board meeting minutes and resolutions to gain an understanding of and evaluate the adequacy of procedures related to the claims audit and disbursements process.
- We used the Village's general ledger report to approximate the amount of claims paid during the audit period.
- We used our professional judgment to select a sample of two of the 12 months of claims activity in the audit period for the general fund and highway-water fund for 70 claims totaling \$150,425 (15 percent of claims activity) to determine whether they were properly supported, for appropriate Village purposes, and audited and approved before payment. We included claims from various times of the year which resulted in a sufficient variety of vendors.
- We selected all 27 claims totaling \$4,353 paid to Village officials and employees to determine whether they were properly supported, and audited and approved before payment.
- We used our professional judgment to select a sample of 21 utility vendor disbursements totaling \$5,123 made during the audit period to determine whether they were legitimate Village disbursements.
- We selected 26 disbursements totaling \$4,329 paid to Village officials and employees to determine whether they were legitimate Village disbursements.
- We expanded our initial sample of 27 claims to include all claims paid to the former Mayor. This resulted in four additional disbursements totaling \$2,778 being reviewed to determine whether they were legitimate Village disbursements.

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.

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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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## Contact

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<https://www.osc.ny.gov/local-government>

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