



Village of Airmont

Claims Auditing

2024M-1 | May 2024

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Report Highlights

Village of Airmont

Audit Objective

Determine whether the Village of Airmont (Village) Board of Trustees (Board) audited claims to ensure they were appropriate, accurate and supported.

Key Findings

The Board did not audit claims before payment to ensure that claims were for appropriate Village purposes, accurate, and adequately supported. As a result, we identified potential overpayments, and claims with insufficient documentation to ensure they were appropriate. One member of the Village Board would not respond to our emails.

We reviewed 30 claims totaling \$883,765 of the \$3.3 million in claims paid during the audit period and determined that none of these claims were audited by the Board. In addition:

- One vendor was potentially overpaid \$36,905 for snow plowing services due to the vendor's use of the higher year-end Consumer Price Index (CPI) rate instead of the monthly CPI rate.
- Six claims totaling \$42,406 did not comply with the Village's purchasing policy. These claims also did not contain sufficiently supported documentation to ensure claims were appropriate, accurate and approved.

Key Recommendations

- Conduct an independent, deliberate, and thorough audit of claims prior to payment.

As per Appendix A, Village officials disagreed with certain aspects of the report, but indicated they accept our recommendations and planned to initiate corrective action. Appendix B includes our comments on the issues raised in the Village's response letter.

Audit Period

January 1, 2022 – March 31, 2023

We extended our audit scope back to January 1, 2021, and forward to July 31, 2023, to review a vendor's billed contract claims.

Background

The Village is located in the Town of Ramapo in Rockland County. The Village is governed by an elected Board, which is composed of four Trustees and the Mayor.

The Board is responsible for the overall management and oversight of Village operations, including auditing and approving claims for payment.

The Board-appointed Deputy Clerk-Treasurer prepares claims documentation for audit and processes payment of approved claims.

Quick Facts

Audit Period Claims

Processed	677
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Reviewed/Tested	30
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Dollar Amount

Processed Claims	\$3,251,174
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Reviewed Claims	\$883,765
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Claims Auditing

What Is an Effective Claims Audit Process?

An effective claims audit process ensures that every claim against a village is subjected to an independent, thorough, and deliberate review to determine that a claim is a legal obligation and a proper charge against a village prior to authorizing payment. New York State Village Law (Village Law) Section 5-524 generally requires a board to audit all claims¹ against the village prior to authorizing the Clerk-Treasurer to make payment.

It is important for the board to determine whether each claim represents actual and appropriate village expenditures, complies with board-adopted policies, is supported by documentation such as itemized invoices or receipts, proposals, or agreements of cost, contains evidence of receipt of goods or services and does not pay sales tax. A claim packet should contain enough detail and documentation such as date of service, so that the auditing body is supplied with sufficient information.

A board may by resolution authorize payments in advance of audit of claims for public utility² services, postage, freight, and express charges. All such claims should be presented at the next regular meeting for audit.

The Board Did Not Audit Claims

We reviewed 30 claims totaling \$883,765 and concluded that all 30 claims were not audited by the Board. There is an absence of a deliberate and thorough audit of claims by the Board as a whole. The Board approved the corresponding warrants presented during their monthly meetings. A warrant is a list of the claims that includes the vendor's name and amount of the claim to be paid, but does not include supporting documentation, which should be used by the Board to determine whether claims are accurate, supported, and appropriate Village expenditures.

We interviewed Board members to gain an understanding of the Board's processes for auditing and approving claims. Both the Mayor and Deputy Mayor stated that claims are available, at the Village Hall, three days prior to the monthly Board meetings for Board members to review. However, the warrant is approved at the monthly meetings without audit of the documentation for each claim. The two newest elected Board members told us that they were not aware of their obligation to audit and approve claims before payment. The remaining Board member did not respond to our request to meet or to any questions we sent via email.

It is important for the board to determine whether each claim represents actual and appropriate village expenditures. ...

... Board member did not respond to our request to meet or to any questions we sent via email.

¹ Claims are bills or invoices submitted by vendors requesting payment for goods or services.

² The term public utility services shall mean electric, water, sewer and telephone services.

During our review we determined that one claim for snow plowing services was billed at a higher year-end CPI³ rate, instead of the monthly CPI rates during the period covered by the contract. The contract for these services stated the yearly increase would be a minimum of using 2 percent unless the CPI was more. The contract, however, did not specify whether the vendor was to use a year-end or monthly CPI rate to calculate the CPI during the period covered by the contract.

In May 2023, the vendor billed the Village for the 16 months of prior services when CPI exceeded 2 percent (January through April 2021, November and December 2021, January through April 2022, November and December 2022, and January through April 2023). However, the vendor used only the December CPI rate each year to calculate the increase for all of the months billed in that year, despite the fact that the CPI rate changes monthly. We recalculated the retroactive increase for CPI using the monthly published rate for each monthly billing period. We then compared our calculation to the amount billed by the vendor, which showed the Village had paid \$36,905, or 3 percent more by using only the December rate.

Had the Board audited the claims and questioned the contract vendor calculation of CPI and hourly rates charged, they may have identified potential inaccurate amounts billed before payment.

We also identified six claims, totaling \$42,406, that did not comply with the Village's purchasing policy or were not audited by the Board. Specifically, these claims did not contain adequate documentation and support for each procurement, such as, dates of service, goods or service descriptions, quotes, proposals, receipts, or invoices.

- Two claims totaling \$23,550 were for similar services as stated in the road maintenance contract. We reviewed the contract for road maintenance, the proposals from Board agendas, bid specifications and billings to determine whether the work should have been part of the original contract. According to the proposals, the work to be performed was described similarly to the work listed under the road maintenance contract. For example, the contract and bid specifications included services for inspecting and cleaning inlet and outlet structures. However, the Village received proposals and paid additional bills for these same services. Therefore, the Village may have paid for services that should have been included in the maintenance contract. The Mayor told us he thought the services were above and beyond the contract terms; however, based on our review of the claims and documents related to the services provided, the services were similar to what was covered by the road maintenance contract.

3 New York Metro CPI taken from the Bureau of Labor Statistics for each month in the year of billing.

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- One claim for \$16,825 did not have proposals or quotes documented per Village policy; therefore, we could not verify the amount paid was as agreed upon. The claim, for the installation of a catch basin, did not have written documentation of Board approval and the invoice did not state the dates of when the work was performed.
 - The Village reimbursed an employee \$793 based on a hotel confirmation, not an actual invoice or receipt confirming their stay. Also, the payment included sales tax that should have been exempted because the Village is exempt from paying sales tax.
 - The remaining two claims totaling \$1,238 were credit card charges that did not contain any documentation such as receipts or invoices supporting the amounts paid. These included \$ 679 in charges for two legal notices, a flag and \$559 in tech services based upon descriptions provided on the credit card bill.

A thorough and deliberate audit of claims is essential to ensure payments are accurate, appropriate, supported and not for duplicate services or goods. Had the Board performed a proper audit of claims, they may have questioned these claims and sought additional information before they were approved and paid. The lack of a deliberate thorough audit of claims by the Board increases the risk that improper amounts and undocumented claims could be paid and not be detected timely.

What Do We Recommend?

The Board should:

1. Conduct an independent, deliberate and thorough audit of claims prior to payment to ensure claims are appropriate, accurate and contain sufficient supporting documentation.
2. Ensure contracts and agreements have clear terms and conditions listed and ensure the Village is being charged in accordance with the terms.
3. Review potential overpayments identified in this report and seek recovery, if appropriate.

Appendix A: Response From Village Officials



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Telephone: 845-414-5522 Fax: 845-414-5529

April 22, 2024

Via E-mail - [REDACTED]

Office of the State Comptroller
33 Airport Center Drive, Suite 102
New Windsor, New York 12553

Attention: [REDACTED]

Re: Village of Airmont Audit Examination: Village Response

Dear Ms. [REDACTED]

Please allow this response to serve as the Village's Response to the Draft Report of Examination 2024M-1 and the additional amendments made to the draft by the Comptroller Staff verbally and in subsequent emails.

The Village of Airmont appreciates the efforts and input of the Comptroller's Office in reviewing Village documents and preparing the Report of Examination. The Village seeks to ensure best practices and compliance with proper auditing and accounting practices. The Village will be fully implementing the Comptroller's recommendation regarding conducting an independent and thorough audit of claims prior to payment. The Village provides this response and feedback to highlight areas that may be improved in the audit examination process and to provide appropriate clarifications of information that was contained in the Draft Report.

I. Failure of State Comptroller to Provide Final Draft Report for Response

At the outset, the Village notes that despite the State Comptroller's Office acknowledging it would be making amendments to the Draft Report, the Comptroller's Office declined to issue an amended draft report to the Village prior to this Village response. Failing to provide the amended draft report under these circumstances is, in the Village's view, inconsistent with the Generally Accepted Government Auditing Standards and the intent of those standards. Specifically Standard 7.57 instructs that "the auditors should modify their report as necessary if they find the comments valid and supported by sufficient, appropriate evidence." During the exit interview, the State Comptroller advised the Village that it would be making additional changes to the Draft Report but would only provide those changes to the Village verbally. Subsequently, the Comptroller acknowledged via email that it was making certain additional amendments to the Draft Report

See
Note 1
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after receiving sufficient and appropriate evidence from the Village warranting such amendments but declined to provide and updated Draft Report to the Village. It is improper, under generally accepted auditing principles, for a local government to be required to respond to a Draft Report that has been changed both during and after the exit interview without at least providing the Village all such changes in writing. Nonetheless, the Village will provide its substantive response based on the Draft Report provided and factoring in the substance of the verbal and email communications that the Village was informed by the Comptroller's Office it would be incorporated into the Report of Examination.

See
Note 1
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II. Key Findings/ Report Highlights

The "Report Highlights" page of the Report of Examination includes a subjective summary of the contents of the examination report in the form of "Key Findings" that purports to summarize the contents of the Report. The necessity of such summary is questionable when the substantive portion of the examination report is only 3 pages in length (excluding the "Report Highlights" page itself). The deficiency with the "Key Findings" section is that it is a subjective selection and summarization of report data that tends to characterize the actual information in a manner that may be misleading to the reader who does not choose to delve into the actual details of the report. Accordingly, the Village only provides a response to the actual substantive portion of the Report of Examination.

III. Claims Auditing Process

The Report of Examination correctly states that Village Law § 5-524 (located in Article 5 of the Village Law) requires a board to audit all claims against the village prior to authorizing the Clerk-Treasurer to make payment. Village Law § 5-524 is entitled "Audit and payment of claims." However, it is important to note that Village Law § 5-524 fails to provide any definition or explanation of the term "audit." Even the definitions section of Article 5 of the Village Law (§ 5-500) fails to include a definition of the term "audit." The term "claim" is defined in first subdivision of Village Law § 5-524, but there is no definition or explanation of the term "audit." The only guidance provided in Village Law § 5-524 is that:

See
Note 2
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In a village which has not established the office of auditor, the board of trustees shall audit all claims against the village, except that it may, by resolution, authorize and empower a separate board of commissioners, a board possessing the powers of two or more such boards or another board possessing like powers to audit and order paid all claims incurred by such board and payable out of the funds within its jurisdiction.

The Report of Examination acknowledges that the Village Board did engage in the monthly approval of warrants during their board meetings. The warrants list the claims, the vendor and the amounts to be paid by the Village each month. However, the warrants do not include backup documentation of each claim listed which, based on the Comptroller's Report of Examination, is what is necessary for a proper "audit" of a claim to occur. The Village acknowledges that the absence of statutory guidance with respect to the term "audit" is not attributable to the State Comptroller's Office, but the Village notes this deficiency because an acceptable and appropriate

process for the auditing of claims by municipal governments in the State of New York should be worthy of at least some explanation and/or guidance with respect to the term "audit" in the very statute that commands the Village Board to carry the audit out.

The Report of Examination highlights the absence of sufficient documentation in the hands of the Village Board members for each claim to be paid. The Village acknowledges that based on the explanation of "audit" as provided by the State Comptroller, the Village Board did not properly audit the claims selected for review by the Comptroller. As a result, the Village has already taken corrective action to ensure that claim packets are provided to Village Board members that include the claim and backup documentation for such claim in order to achieve a proper "audit" of the claim as has been defined by the State Comptroller's Office.

The Village notes that the Draft Report identified a credit card claim that purportedly did not contain supporting documentation (p. 6 of the Draft Report). The claim was a \$245 claim for publication of a legal advertisement that was included within a total of \$679 for legal advertisements noted in the Draft Report. Both at the exit interview on April 10, 2024 and again via email on April 12, 2024, the Village provided the supporting documentation for the \$245 legal advertisement charge contradicting the assertion in the Draft Report. This information was provided to the Comptroller on April 12, 2024, the same day that the Comptroller's Office provided an email indicating that it was making changes to the Report of Examination (but declining to send a new draft). Despite being provided with proof refuting the claim and acknowledging the supporting documentation, the Comptroller's Office responded on April 12, 2024 that it was declining to amend the Report of Examination because the record reviewed at the time of the audit did not contain the supporting documentation. This approach seems to make little sense when the Comptroller's Office was making amendments to the Report on the very same day. Under the GAGAS standards, "the auditors should modify their report as necessary if they find the comments valid and supported by sufficient, appropriate evidence." GAGAS Standard 7.57.

See
Note 3
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IV. Audit Methodology and Standards

The Report of Examination indicates that the Comptroller's Office conducted this performance audit in accordance with generally accepted government auditing standards ("GAGAS"). With respect to the 30 claims reviewed by the Comptroller, the Village notes that the Comptroller's Office, in selecting the claims for review, utilized a nonstatistical sampling (professional judgment) process for 66% of the claims reviewed and used a statistical (random) sampling for only 33% of the claims reviewed. This approach is inconsistent with the Generally Accepted Government Auditing Standards ("GAGAS") where a representative sample of claims is desired. GAGAS 8.107 states that: "When a representative sample is needed, the use of statistical sampling approaches generally results in stronger evidence than that obtained from nonstatistical techniques." The "key limitation with judgment sampling is that the resulting conclusions cannot be extrapolated statistically to the population." See Comptroller's Handbook: Examination Process, Sample Methodologies (Version 1.0, May 2020).¹

See
Note 4
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In short, the Comptroller's Office did not, in conducting its examination, rely primarily on

¹ Available at <https://www.occy.gov/publications-and-resources/publicationS1/comptrollers-handbook/files/audit-methodologies.pdf> (Last accessed April 19, 2024).

a sufficient random selection of claims for auditing, but relied predominantly on a targeted set of claims selected for review. The Village does not assert that the sampling method used affects the merit of the Comptroller's review of those claims, but highlights this point to stress that the Comptroller's findings cannot be statistically extrapolated to the population of all Village claims due to the predominant use of a professional judgment selection process over the stronger evidence that could have been obtained using a sufficient statistical (random) sampling.

V. Conclusion

The Village will accept the three recommendations set forth in the Draft Report from the Comptroller's Office and will address the specific steps in greater detail in the corrective action plan to be submitted to the Comptroller's Office.

Very truly yours,

Mayor Nathan Bubel

cc: Village Board

[REDACTED] (NYS Comptroller's Office - [REDACTED])
[REDACTED] (NYS Comptroller's Office - [REDACTED])

Appendix B: OSC Comments on the Village's Response

Note 1

In accordance with audit standards, we modified the audit report based on evidence provided by Village officials at, and after, our exit discussion. We discussed the modifications with Village officials, both at the exit conference and in an email subsequent to the exit conference.

Note 2

At the onset of the audit, Village officials were provided a link to an OSC resource publication⁴ on the claims audit process, which includes claims audit guidance and definitions.

Note 3

As indicated in the response, the documentation for legal advertisement was provided by Village officials at the exit conference. The documentation was not part of the claim package when it was reviewed during the audit. Therefore, as stated in the report, the amount was paid without adequate documentation available to support the claim.

Note 4

Our audit report does not project the results of our testing of a targeted sample onto the population of all Village claims. We report our findings on the targeted sample that we examined. In addition, the audit report states in Appendix B: Audit Methodology and Standards, "Unless otherwise indicated in this report, samples for testing were selected based on professional judgement, as it was not the intent to project the results onto the entire population." Our sampling is done in accordance with Government Auditing Standards for performance audits.

⁴ www.osc.ny.gov/local-government/publications/claims-auditing-process/introduction

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. 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 the Mayor, Deputy Mayor, Trustees, Clerk-Treasurer, and Deputy Clerk-Treasurer to gain an understanding of the claims audit procedures.
- From a population of 677 claims totaling \$3,251,174, we used our professional judgement to select a sample size of 20 claims totaling \$863,859. We also did a random selection of 10 claims by using the rand between function of excel. We used the number of checks in 2022 to randomly select eight payments and we used the number of checks in the three-month period January to March 2023 to randomly select two payments. We then traced these payments back to 10 claims totaling \$19,906.
- We extended the audit scope to include all claims for one particular vendor from January 2021 through July 2023. We reviewed 18 claims for this vendor totaling \$1,015,136 to calculate the total amount overpaid to this vendor. We calculated the retroactive increase for CPI for the 16 months of prior service using the monthly published rate for each billing period and then we compared this to the 18 claims billed and paid to calculate the total amount overpaid for the audit period.
- We traced payments of tested claims to canceled check copies to determine whether payee and amounts matched.
- We reviewed these claims to determine whether the claims were:
 - Audited by the Board.
 - For a valid and legal Village purpose.
 - Authorized/Approved by Board.
 - Itemized
 - Mathematically correct.
 - Did not include sales tax.
 - Had supporting documentation.
 - For items received or work performed.

-
- We reviewed bid specifications and contracts for descriptions of work to be performed and pricing to determine whether claims were paid per contract terms.

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 Village Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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