



Town of Saugerties

Claims Auditing

2024M-144 | May 2025

Contents

Report Highlights 1

Claims Auditing 2

 What Is a Proper Claims Audit? 2

 The Board Did Not Properly Audit Claims 2

 The Board Did Not Properly Audit or Authorize Credit Card Purchases 5

 What Do We Recommend? 8

Appendix A – Response From Town Officials 9

Appendix B – Audit Methodology and Standards 11

Appendix C – Resources and Services. 13

Report Highlights

Town of Saugerties

Audit Objective

Determine whether the Town of Saugerties (Town) Board (Board) properly audited claims and authorized credit card purchases.

Key Findings

The Board did not properly audit claims or authorize credit card purchases. We reviewed 50 claims totaling \$2.1 million and 50 credit card purchases totaling \$28,815. We determined that the Board did not conduct a thorough and deliberate audit of any claims before payment or authorize all credit card purchases. As a result:

- 15 purchases totaling \$91,979 did not comply with the Town's purchasing policy. For example, Town officials paid a contractor \$46,500 to clear debris for the highway department without bid or documentation that it was an exempt source.
- 36 credit card purchases totaling \$10,868 were not properly authorized. For example, an unauthorized individual used the Town Supervisor's (Supervisor) credit card to make an unauthorized purchase, totaling \$383 without the Supervisor's knowledge. The equipment was shipped to the Town's former video supply contractor. The Supervisor and we were unable to verify if the Town received this purchase due to lack of supporting documentation.
- The Supervisor used a Town credit card to pay for lunch to celebrate an employee's birthday. This is not an appropriate use of taxpayer money

Key Recommendations

- Obtain training to understand the claims auditing process and Board duties.
- Perform a thorough and deliberate audit of claims and credit card purchases.

Audit Period

January 1, 2021 – December 31, 2022

Background

The Town is located in Ulster County (County). The elected five-member Board, including the Supervisor, is responsible for overseeing Town operations and finances.

The Supervisor serves as the chief fiscal officer and is responsible for the day-to-day financial activities and operations.

The Town bookkeeper (bookkeeper) is responsible for preparing claims documentation for audit and processing payment of approved claims. In addition, the bookkeeper is responsible for collecting receipts and reconciling credit card charges.

The department heads are responsible for credit card purchases made for their respective departments.

Quick Facts

Number of Claims	5,131
Total Claims	\$25.7 million
Number of Credit Card Charges	836
Total Credit Card Expenditures	\$328,629

Claims Auditing

New York State Town Law Section 118 requires a town board to audit all claims against a town before payment is made. Board members should understand their duties and attend training specific to their responsibility.

What Is a Proper Claims Audit?

A proper claims audit ensures each claim contains enough supporting documentation to determine whether it complies with statutory requirements and town policies (e.g., procurement, credit card and travel policies) and that the amounts claimed represent actual and necessary town expenditures. Auditing and approving claims before approving payment is an important part of a town board's responsibility to ensure tax dollars are spent efficiently and that all purchases are:

- Authorized,
- Adequately supported,
- Mathematically correct, and
- Valid and legal expenditures.

A board's claims audit should also verify the availability of budget appropriations prior to authorizing a purchase.

Town boards should approve claims by signing or initialing each individual voucher packet or an abstract of audited claims. A town's bookkeeper then forwards the approved claims to the town supervisor to prepare and sign the checks. The town board meeting minutes should also reflect what claims have been audited and whether they were allowed or disallowed, in whole or in part.

The Board Did Not Properly Audit Claims

We reviewed 50 claims totaling approximately \$2.1 million to determine whether they had adequate supporting documentation, were for appropriate Town purposes, and were properly audited and approved by the Board before payment. Although the Board approved the payment of all claims listed on abstracts, the Board did not properly audit any of the claims. The Board did not perform a deliberate review of each individual claim.

Although the Board approved the payment of these claims, we determined the Board's lack of a claims audit resulted in the payment of claims:

- When appropriations were not available,
- Without adequate supporting documentation,
- That were not properly authorized, and
- That were mathematically incorrect.

Specifically:

Insufficient Appropriations – The Board approved 50 claims for payment without ensuring that sufficient budget appropriations were available. For example, in 2022, Town officials paid \$203,775 to replace the water department’s roof when there were no appropriations available in the budget. As a result, the accountant used a journal entry to borrow from the general town-outside-village fund to cover the water district’s capital project.

Town officials also paid past due electric bills in 2022 totaling \$121,380 when the amount budgeted for the year was only \$96,400. The Board continued to approve payments for electricity throughout the year without verification of sufficient appropriations. As a result, Town officials exceeded budgeted appropriations for electricity by at least \$75,497. When the Board exceeds budgeted appropriations, funds must be transferred from other budget lines or fund balance. As a result, financial resources may not be available to ensure that planned services are properly funded.

Inadequate Supporting Documentation – Thirty-seven of the 50 claims (74 percent) reviewed totaling \$951,458 did not have adequate supporting documentation. These claims lacked documentation indicating:

- Compliance with Town policies – The Town’s purchasing policy requires purchase contracts over \$20,000 and public works contracts over \$35,000 to be competitively bid unless appropriately documented as an exempt source. The purchasing policy also requires officials to obtain two verbal quotes for purchases between \$500 and \$2,999; two written quotes for purchases between \$3,000 and \$9,999; and three written quotes for purchases between \$10,000 and \$19,999. However, we identified 15 claims (30 percent) that included purchases totaling \$91,979 that did not comply with the Town’s purchasing policy.

For example, Town officials paid a contractor \$46,500 to clear debris for the highway department. We reviewed one of the claims totaling \$6,000 related to public work performed by the contractor and did not find any evidence that the Board competitively bid for the contract or appropriately documented this contractor as an exempt source as required by the Town’s purchasing policy. Additionally, Town officials did not document that two verbal quotes were obtained for purchases between \$500 and \$2,999.

When the Board does not ensure that claims comply with Town policies, there is an increased risk that goods and services were not purchased in the most cost-effective manner, to ensure the most prudent and economical use of public money, and without favoritism.

- Itemized invoices – For example, Town officials paid \$15,950 to an accounting firm even though the invoice did not include an hourly rate or total hours worked by the accountant.

When invoices are not sufficiently itemized, it is difficult for Town officials to confirm that services were performed, and the invoiced amount adheres to contract terms.

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- Whether goods or services were received – For example, Town officials could not provide documentation verifying receipt of police car parts totaling \$14,815.

Improper Authorization – The Board did not ensure that the purchases associated with five claims (10 percent) totaling \$22,820 were properly authorized. The former bookkeeper approved the purchases on behalf of the Supervisor. Because Town officials did not establish adequate controls over the financial system, the former bookkeeper was able to enter and approve purchases without any additional review. The Supervisor told us that he permitted her to approve purchases when he did not have access to the financial system. Additionally, the 50 claims reviewed included a total of 98 purchase orders. Among them, 60 purchase orders (61 percent), totaling \$486,181, were approved and issued after the corresponding invoices were generated.

As a result, Town officials cannot ensure that goods and services are purchased at a favorable cost because necessary approvals by the department heads and Board are circumvented. In addition, goods and services are received without knowing if sufficient appropriations are available to cover payments. Further, the lack of proper authorization, coupled with the Board not auditing the corresponding claims, creates an opportunity for inappropriate purchases to go undetected.

Mathematical Errors – Six claims (12 percent) totaling \$14,320 were not mathematically correct. For example, Town officials paid a \$1,380 claim that included duplicate charges for website design services. This resulted in an overpayment of \$690 to that vendor. This payment was also entered and approved in the financial system by the former bookkeeper without an independent review. If the Board performed a thorough and deliberate audit of claims, they may have detected these mathematical errors and prevented overpayments.

Although the claims and supporting documentation were available in the bookkeeper's office for Board members to review, they did not regularly review either. Board members told us that if they had a question about a claim listed on the abstract, they would ask the department before approving the abstract for payment. In addition, each Board member was designated as a liaison for certain departments and was responsible for reviewing and preapproving the assigned department's purchases. However, department heads provided Board members with different types of documentation, and each Board member used a different method to approve purchases. For example, some Board members approved purchases in the financial system and others physically signed off on supporting documentation, such as invoices and purchase orders.

Overall, the Board did not know how to conduct a proper claims audit or know that it was their responsibility to audit claims. For example, some Board members told us that they did not have experience or training in auditing claims, and they believed it was the bookkeeper and the external accountant's responsibility to audit claims. As a result, officials paid claims totaling \$22,820 that lacked proper authorization and included duplicate charges. Without a thorough review of all claims to be paid, the Board's ability to effectively monitor Town financial operations is diminished and errors and irregularities may occur and remain undetected and uncorrected.

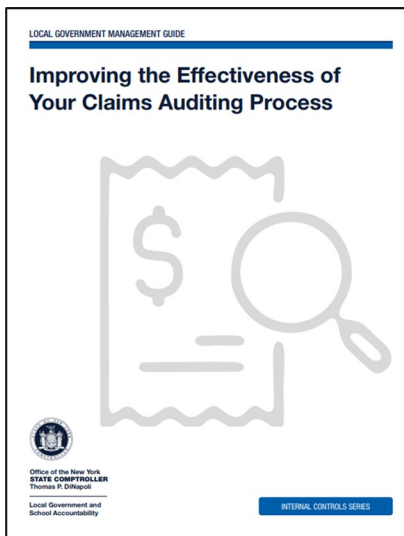
Additional information on how to properly audit and approve claims can be found in publications and training tools offered by the Office of the State Comptroller, including our Local Government

Management Guide (LGMG) titled Improving the Effectiveness of Your Claims Auditing Process and webinars through our Office's Academy for New York State's Local Officials (Figure 1).

FIGURE 1

OSC Publication and Webinar

LGMG – Improving the Effectiveness of Your Claims Auditing Process



Access this publication at:

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

Webinar: Improving the Effectiveness of Your Claims Auditing Process



This session will assist local officials in learning how to establish an effective and efficient claims processing system. A well-designed system ensures proper use of municipal resources, provides local officials with useful information and complies with all applicable laws and regulations.

Access this webinar at:

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

The Board Did Not Properly Audit or Authorize Credit Card Purchases

The Board adopted a credit card and travel policy that allowed select Town departments to use credit cards to purchase items for Town business such as gas, supplies, reservations for necessary travel and meals. In addition, the credit card policy required the Board to authorize all credit card accounts, approve advanced written requests for travel for meetings or education purposes, and audit claims at each Board meeting. The credit card policy also required the person using the card to sign the receipt before submitting it to the bookkeeper.

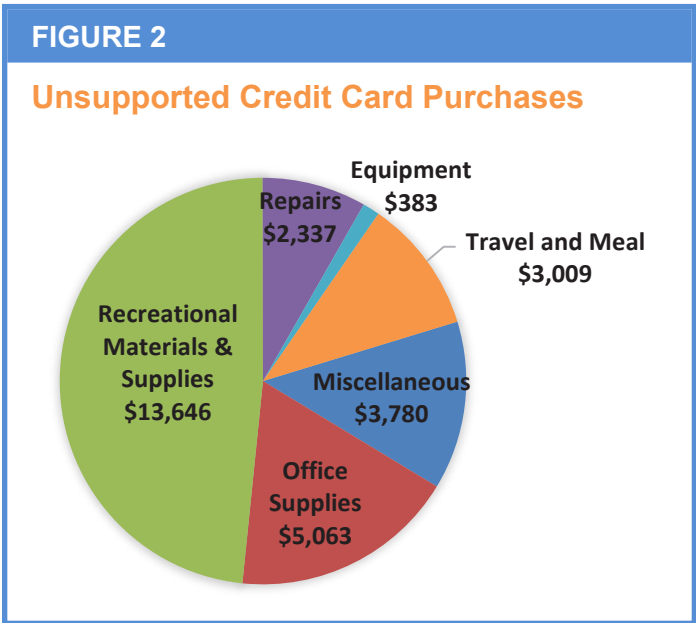
We reviewed 10 credit card claims (43 percent) totaling \$71,687 and determined that the Board did not audit or approve the claims before payment. Instead, credit card claims were paid through an automatic withdrawal from the Town's general fund operating account without any audit by the Board. Although the Supervisor approved all 10 credit card payments in the financial system, he did not perform any review or audit of the individual claims. Further, he approved seven of the 10 credit card payments totaling \$41,486 after the payments were made through automatic withdrawal from the Town's operating account. When payments are automatically withdrawn, individual purchases that are not

authorized, adequately supported, or are not valid and legal expenditures that comply with statutes and Town policy, may be paid and can go undetected.

We then reviewed individual purchases from each credit card claim and selected 50 credit card purchases totaling \$28,846 to determine whether they were properly authorized in accordance with the Town’s credit card policy, supported with documentation, and for legitimate Town purposes. Because the Board did not audit credit card claims, they did not detect that Town officials and employees circumvented the purchase order system to make purchases that were not properly authorized, supported with documentation, or for legitimate Town purposes. When a purchase order system is circumvented, authorizations and necessary order information may be missing to confirm the purchase and delivery location of a requested good/service. Specifically, questionable or unsupported purchases may be made without proper authorization and could be delivered to a non-Town address.

Unauthorized Purchases – Thirty-six credit card purchases (72 percent) totaling \$10,868 were made by individuals that were not properly authorized. These purchases were for legitimate Town purposes; however, they were made by individuals who were not Board-authorized credit card users. For example, the ice arena director purchased a sports insurance policy totaling \$2,204 using a Town credit card. Although the purchase was appropriate, the ice arena director circumvented the purchasing process by using the credit card and did not have the authority to make the purchase. Furthermore, these credit card purchases were not audited and lacked Board approval.

Additionally, an unauthorized individual used the Supervisor’s credit card to make an unauthorized purchase, totaling \$383, for Justice Court audio equipment without the Supervisor’s knowledge. The equipment was shipped to the Town’s former video supply contractor. We were unable to verify if the Town received this purchase due to lack of supporting documentation. The Town’s television program coordinator told us that she was instructed by the former Justice to use the Supervisor’s credit card to order the audio equipment for the Town’s contractor to install. However, the Supervisor told us that he was unaware of the purchase and not sure if the Town received the equipment.



Unsupported purchases – Forty-six credit card charges (92 percent) did not have sufficient supporting documentation (see Figure 2).

For example, a recreation department employee purchased building materials totaling \$5,888 without obtaining a purchase order and the department was unable to provide any documentation supporting the materials were received. The employee told us that they used the credit card to purchase the materials to build a small building behind the maintenance garage because the vendor did not accept purchase orders. However, the Town’s credit card policy does not allow employees to use

credit cards for purchases other than gas, supplies, reservations for necessary travel and meals. The vendor's unwillingness to accept purchase orders is not an appropriate reason to circumvent the Town's credit card policy.

Prohibited and Questionable Purchases – One credit card purchase, totaling \$45, was not for legitimate Town purposes. Specifically, the Supervisor used his credit card to pay \$45 for lunch at a local restaurant to celebrate an employee's birthday. This is not an appropriate use of taxpayer money.

Town officials and department heads were generally able to provide a reasonable explanation for the unauthorized and unsupported purchases referenced above. However, without sufficient documentation or a thorough claims audit, the Board cannot ensure that these purchases were appropriate.

Furthermore, the Town credit card policy required all credit card accounts to be authorized by the Board, and it limited the issuance of credit cards to the police department, the Supervisor's office, the highway department, and the recreation department. Although not authorized to do so, the Supervisor told us that he verbally approved issuing 14 additional credit cards. The cards were issued to:

- Himself,
- Highway Superintendent,
- Deputy Highway Superintendent,
- Transfer Station supervisor,
- Supervisor of the Recreation and Buildings department and
- ten other recreation employees.

Except for the Supervisor's card, the Board members were not aware of the \$100,000 credit limit, the payment method, and the other card holders.

We analyzed each credit card holder's card usage and interviewed all credit card holders and determined that nine credit card holders did not use or have a need for a card, of which eight belonged to the Recreation and Buildings department employees who have supervisory responsibilities. Issuing infrequently used and unneeded credit cards significantly increases the risks of theft or inappropriate use. Further, credit cards also provided employees with the opportunity to circumvent the Town's policies and internal controls. For example, employees did not always maintain or submit receipts to the bookkeeper for credit card charges. Although the Board approved abstracts, they did not include detailed credit card transactions. Because the Board did not review individual credit card charges, the Board approved credit card payments for which Board members had no knowledge of what was purchased.

Because officials did not follow their credit card and travel policy or audit credit card claims, they had no assurance that credit card purchases were in accordance with the Town's policy: properly approved, sufficiently documented with supporting documentation, and for valid business purposes. As a result, 36 credit card purchases (72 percent), totaling \$10,868, were not properly authorized and one credit card purchase (2 percent), totaling \$45, was not for legitimate Town purposes.

What Do We Recommend?

The Board should:

1. Obtain training to understand the claims auditing process and their duties. We have Improving the Effectiveness of Your Claims Auditing Process training available at our at: https://www.osc.ny.gov/local-government/academy/webinars?order=field_tx_topics&sort=asc.
2. Conduct a thorough and deliberate audit of each claim, including credit card claims, before authorizing payment to ensure that:
 - Sufficient appropriations are available.
 - Each claim contains sufficient supporting documentation (e.g., itemized invoices).
 - Each claim complies with statutory requirements and Town policies (e.g., purchasing policy).
 - Each claim is mathematically correct and is a valid and legal expenditure.
3. Discontinue paying credit card claims automatically and prior to Board audit and approval.
4. Thoroughly review and audit all credit card purchases to ensure adequate documentation (e.g., itemized invoices or receipts), compliance with Town policies, and that all purchases are for appropriate Town purposes.
5. Enforce the Town's credit card and travel policy, which details authorized use, the approval process, documentation requirements and receipt verification.
6. Consider canceling unnecessary credit cards or revising the Town's credit card policy to ensure that all credit cards issued are properly authorized.

The Supervisor should:

7. Limit the bookkeeper's access to the financial system so they are unable to enter and approve payments without the Supervisor's review and approval.
8. Restrict credit card usage, per policy to necessary items for official Town business.

Department officials should:

9. Obtain proper approvals by using the purchase order process before making purchases and committing the Town to liabilities.

Appendix A: Response From Town Officials



TOWN OF SAUGERTIES

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Fred Costello Jr.
Supervisor
Leeanne Thornton
Deputy Supervisor



Members of Town Board
Zach Horton
Michael Ivino
Mary M. (Peg) Nau

May 5, 2025

James Latainer-Chief of Municipal Audits
NYS Office of the State Comptroller-Newburgh Regional Office
33 Airport Center Dr., Suite 102
New Windsor, NY 12553

Town of Saugerties
Claims Auditing
Report of Examination
2024M-144

Re: Response to Draft Report

Dear Mr. Latainer,

By way of background, 2020 was a period of change for the Town that continued through the audit period of 2021 and 2022. Internal policies had to be adjusted to address the impact of the pandemic, external policies were affected by a change in the accounting firm's policies, and the accounting department within the Town was turned over unexpectedly during the audit period. During this period of transition the claims auditing documentation fell short.

The following are in response to specific findings:

Insufficient Appropriations:

The Town Board had reviewed both the roof replacement project and the past due electric bills at the time of payment. The Town was to utilize ARPA funding for the roof and fund balance for the electric charges, however, the budget adjustments for these were not memorialized and recorded.

Inadequate Supporting Documentation:

The Town agrees that the documentation accompanying each claim was at times incomplete. With the transition in the accounting team members the process was imperfect. Department heads and Board members were aware of and approved the expenditures, however, the required documentation failed to be attached to the claims.

Page 1 of 2

Improper Authorization:

With the implementation of the electronic approval system and purchase order system within the Town's accounting system there was a period of transition as noted in the examination where procedures were not in place to approve timely for payment. The Town believes the Department heads and Board members did approve the expenditures but were unable to properly document authorization during the implementation period.

Mathematical Errors:

The Town agrees that there were mathematical errors noted on these six claims.

Unauthorized Credit Card Purchases:

The Town agrees that authorized credit card users were not updated in the policy to reflect actual usage of the cards.

Unsupported Credit Card Purchases:

The Town agrees that the documentation accompanying each claim was at times incomplete. With the transition in the accounting team members the process was imperfect. Department heads and Board members were aware of and approved the expenditures, however, the required documentation failed to be attached to the claims.

Prohibited and Questionable Purchases:

The Town agrees that the one purchase of \$45 was not for an approved purpose. The Town also agrees the additional credit card users verbally approved were not properly authorized in the Town's credit card policy.

The Town of Saugerties would like to thank the New York State Office of the Comptroller for their time in examining the Town's process for claims auditing. The findings will enable the Town to review and improve upon procedures to better manage expenditures.

Sincerely,

Fređ Costello Jr, Supervisor

Appendix B: 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(s) 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 Town officials and employees, and reviewed policies, procedures, and Board meeting minutes to gain an understanding of internal controls over credit cards and the Town's process to prepare, approve, audit and pay claims.
- We randomly selected 10 claims, totaling \$12,720, and used our professional judgment to select an additional 40 claims, totaling approximately \$2.1 million, based on high dollar values, payments to employees and vendor names. We reviewed these claims to determine whether the Board properly audited them before they were paid. In addition, we determined whether the claims were:
 - Properly itemized,
 - For valid and legal purposes,
 - Authorized and approved,
 - Adequately supported with documentation,
 - Mathematically correct,
 - In accordance with Town policies,
 - Sufficiently covered by available appropriations,
 - Not previously paid, and
 - For goods and services that had been received.
- We used our professional judgment to select 10 of the 23 credit card claims totaling \$71,686, based on monthly statements that included high-risk transactions (e.g. travel and meal purchases), to determine whether they were paid prior to Board approval.
- We reviewed individual purchases from the 10 credit card claims and used our professional judgment to select 50 credit card purchases totaling \$28,815, based on dollar value, questionable charges and types of spending, to determine whether they were:
 - For valid and legal purposes,
 - Authorized and approved,
 - Adequately supported by documentation,
 - Mathematically correct,
 - In accordance with Town policies and statutory requirements, and
 - For goods and services that had been received.

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- We interviewed all employees who had a Town credit card, reviewed their card usage, and determined whether employees needed a card.
 - We reviewed the Town's credit card policy to determine whether Town officials followed the policy.

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.

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

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

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