



# Town of Spencer

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## Disbursements

2025M-35 | July 2025

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# Audit Results

## Town of Spencer



| Audit Objective  | Audit Period                         |
|--|--------------------------------------|
| Did the Town of Spencer (Town) Board (Board) provide adequate oversight of non-payroll disbursements?  | January 1, 2023 – September 30, 2024 |
| Understanding the Program  |                                      |
| The Town paid 647 non-payroll disbursements totaling approximately \$2.1 million during the audit period. It is the responsibility of the Board to conduct a thorough and deliberate audit of claims before payment authorization. An effective claims audit process can help ensure that tax dollars are spent properly, efficiently and in the best interest of taxpayers. |                                      |

## Audit Summary

The Board did not conduct a thorough and deliberate audit of all claims paid during the audit period. As a result, we identified claims being paid without the Board's knowledge. We reviewed all 647 non-payroll disbursements made during the audit period totaling approximately \$2.1 million and identified the following:

- Sixty-nine disbursements totaling \$248,900 that were not included on a Board-approved abstract, which is a list of all claims that have been audited and approved for payment.
- Sixteen disbursements totaling \$32,100 in which the amount approved on the Board-approved abstract did not match the amount disbursed on the canceled check image.

In addition, we reviewed 123 of these disbursements totaling \$262,100 to determine whether they were properly supported and found thirty-three disbursements totaling \$28,100 lacked adequate detail for the Board to complete a thorough claims audit. For example, although the Highway Department received detailed invoices of individual purchases showing item detail and cost per unit, the Board was provided with monthly summaries which referenced these invoices but lacked adequate detail to determine what was purchased.

When claims are not audited or lack sufficient support, there is an increased risk that inappropriate disbursements could be made without the Board's knowledge. Furthermore, when the dollar amounts of disbursements made do not match the Town's records, the transparency of actual amounts paid for Town operations is diminished to taxpayers and residents.

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In addition, Highway Department employees circumvented the disbursements process for 12 purchases totaling \$4,500 by using a credit account established with a local vendor who sold metal products without the Board's approval and review. The Highway Department sold scrap metal to the vendor for which the Town received credit on the account for future metal purchases from the vendor. The account had a remaining credit balance of \$8,700 with the vendor as of September 25, 2024. The use of credit accounts without Board oversight increased the risk of misuse or misappropriation of Town funds.

The report includes nine recommendations that, if implemented, will improve the Town's disbursements process. Town officials generally agreed with our recommendations and indicated they will initiate corrective action.

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. Our methodology and standards are included in Appendix C.

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 the New York State 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 (Clerk's) office.

# Board Oversight of Non-Payroll Disbursements

## Findings and Recommendations

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A town board (board) should conduct a thorough and deliberate audit of claims before payments are authorized by reviewing each claim to ensure it contains sufficient supporting documentation (i.e., itemized invoices or receipts) and evidence that the goods and services have been received. The board audit should also ensure that each claim is for a legitimate and necessary town expenditure and that policies and procedures were followed.

Disbursing funds only after a thorough and deliberate review of claims is an important part of a board's responsibility to ensure that all tax dollars are being spent only for goods and services with a town purpose. The board must approve all individual claims provided in the abstract for a disbursement of each claim to occur. The board should indicate review and approval of these claims by initialing each individual claim packet and initialing the abstract, which is then forwarded by the town clerk (clerk) to the town supervisor (supervisor) to prepare and sign the checks for the amounts approved. Unless an exception applies, the board is required to audit all claims before payment.

More details on the criteria used in this report, as well as resources we make available to local officials that can help officials improve operations (Figure 3), are included in Appendix A.

### **Finding 1 – The Board did not approve certain disbursements that were paid.**

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The Clerk prepared claim packets by attaching vendor invoices and supporting documentation provided to her by Town employees to a claim form which included details such as vendor, item description, amount due and budget codes. The Clerk generated the monthly abstract using a software program and provided the abstract and the claims in a folder to the Board for review and approval. Each Board member generally signed the abstract indicating authorization to pay the claims. However, in general, the Board did not audit each individual claim packet but instead signed the abstract as approval for payment of the claims listed. After the Board's approval for payment, the Clerk provided the abstract and individual claim packets to the bookkeeper to prepare the checks. The bookkeeper created checks using each individual claim, not the approved abstract, using a separate software program and printed the checks. In addition, the Supervisor did not compare the prepared checks to the approved abstracts and claims to ensure the claims were properly authorized and the amounts agree (See Also: Finding 2 and Recommendation 5).

We identified disbursements being made without the Board's knowledge, including disbursements missing from the list of claims and purchases being made from a Town credit account without the Board's approval. Unless stated otherwise, we were able to determine that the disbursements were for legitimate Town purposes by reviewing support from the vendors, vendor business descriptions and from discussions with Town officials.

Because not all claims were on the approved abstract and the bookkeeper prepared checks for payment based on each individual claim rather than on the Board-approved abstract, the Board was not aware of all the claims that were eventually paid. We reviewed all 647 non-payroll disbursements

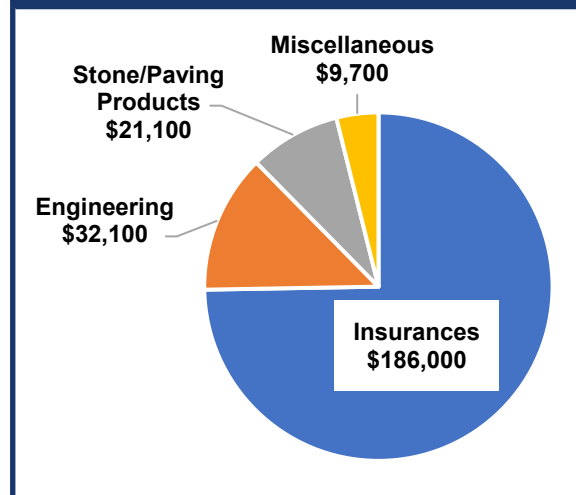
made during our audit period totaling approximately \$2.1 million and identified 69 disbursements (11 percent) totaling \$248,900 that were not included on a Board-approved abstract (Figure 1). These disbursements included:

- Fifty disbursements totaling \$186,000 for liability, health and workers' compensation insurance,
- One disbursement totaling \$32,100 for engineering services,
- Four disbursements totaling \$21,100 for stone and paving products, and
- Fourteen miscellaneous disbursements totaling \$9,700 for items such as web maintenance, vehicle parts, cleaning services and mileage reimbursements.

These deficiencies occurred because the bookkeeper and Clerk used different software programs to complete their disbursement responsibilities without the Board providing adequate oversight to ensure all disbursements made were audited prior to payment.

Additionally, the Supervisor and Clerk told us the insurance claims were missing from the abstract because the amounts were approved during the budget adoption process and, therefore, did not require claims audit. However, New York State Town Law (Town Law) Section 118 generally requires a board to audit all claims before payment and insurance is not one of the exceptions to the claims audit process (see Appendix A for additional information). Furthermore, the other claims were not on the abstract because the claims were added to the folder after the abstract was generated. Because not all claims were audited, there was an increased risk that inappropriate disbursements could have occurred without the Board's knowledge.

**FIGURE 1: Disbursements Not on the Approved Abstracts**



## Recommendations

1. The Clerk should ensure all claims are included on an abstract and all claims requiring Board audit are presented to the Board for audit prior to payment, with adequate, original supporting documentation.
2. The Board should perform a deliberate and thorough audit of all claims in a timely manner ensuring that claims are adequate, complete and for appropriate Town purposes.

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## **Finding 2 – The Board approved disbursements which did not always match amounts paid.**

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When creating the abstract, the Clerk sometimes made errors when entering payment information for disbursements as compared to the claim details. Because the Board only approved abstracts, the correct amounts on the checks paid to vendors prepared by the bookkeeper did not match the only record the Board approved. After the bookkeeper printed the checks, the Supervisor signed the checks and sent them to the vendors without always comparing the checks with the approved abstract and the individual claims to verify the payments were correct. As a result, Town officials did not identify various errors and in most of the instances, the Town disbursed more money than what was recorded on the approved abstracts. We identified 16 disbursement variances totaling \$32,100 where the amount approved on the Board-approved abstracts did not match the amount disbursed. These disbursement variances included:

- Three totaling \$16,803 for stone and paving products with the following errors on the abstract:
  - \$17,084 entered as \$1,708, a difference of \$15,376,
  - \$1,042 entered as \$104, a difference of \$938, and
  - \$489 where no dollar amount was entered.
- Four totaling \$14,650 for maintenance parts and supplies with the following errors on the abstract:
  - \$10,474 entered as \$1,047, a difference of \$9,427,
  - \$5,470 entered as \$547, a difference of \$4,923,
  - \$578 as \$518, a difference of \$60, and
  - \$240 where no dollar amount was entered.
- Nine totaling \$647 to miscellaneous vendors. These included claims entered on the abstract with errors ranging from a \$66 understatement to a \$148 overstatement when compared to the actual amount of the claim.

These discrepancies occurred because the Clerk made data entry errors when preparing the Board-approved abstract, while the bookkeeper paid the correct amounts when preparing the checks and entering the amounts into the Town's disbursement software the Board did not authorize the amount paid. When Town disbursements are made which do not match the amounts on the Board-approved abstract, the transparency of actual amounts paid for Town operations is diminished to taxpayers and residents.

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## Recommendations

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3. The Clerk should ensure the abstract provided to the Board for approval includes the correct dollar amounts for the claims.
4. The Board should ensure all Town disbursement records match actual amounts paid by comparing the amounts on the abstract to the amounts on the claims.
5. The Supervisor should ensure the amounts on the checks prepared by the bookkeeper are the same as on the Board-approved abstract and claims.

### Finding 3 – The Board approved disbursements that were not supported.

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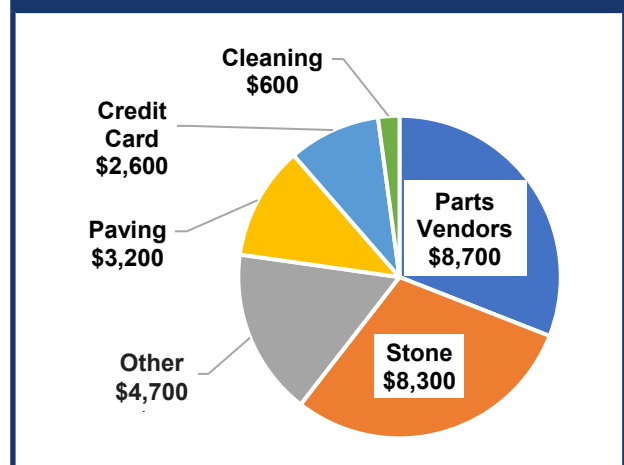
Town officials generally received itemized invoices from vendors for individual purchases made. In addition, the Town had purchase accounts that the Highway Superintendent (Superintendent) used to buy materials and supplies from vendors. The Superintendent received itemized invoices at the time of purchase for these purchase accounts. At the end of the month, the vendor sent the Town monthly statements for the purchases, but the statements did not provide an itemized detail of what was purchased. The Superintendent provided the monthly statements to the Clerk who prepared the claims packets and abstract for the Board. Because the monthly statements did not include an itemized detail of what the Highway Department purchased for the month, the Board did not have adequate information to complete a thorough claims audit.

We reviewed 123 disbursements totaling \$262,075 and determined that 33 disbursements (27 percent) totaling \$28,100 lacked adequate detail in the claims packets for the Board to complete a thorough audit of claims (Figure 2).

These disbursements included:

- Thirteen disbursements totaling \$8,700 to various automotive parts vendors,
- One disbursement totaling \$8,300 for stone products
- Eight disbursements totaling \$4,700 to other various vendors,
- Three disbursements totaling \$3,200 for paving products,

**FIGURE 2: Unsupported Disbursements**





- 
- Four disbursements totaling \$2,600 for credit card purchases, and
  - Four disbursements totaling \$600 for cleaning services.

These deficiencies occurred because the Board and officials did not understand the documentation requirements to conduct an adequate claims audit and always provided the support this way. When claims lack support, officials are unable to determine whether the payments are for valid purposes.

## Recommendations

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6. The Clerk and Superintendent should ensure itemized receipts and invoices are provided to the Board for the claims audit in advance of disbursements being made.

The Board should:

7. Ensure all claims have adequate supporting documentation when conducting the audit of claims.
8. Attend applicable and beneficial training sessions to better understand and perform financial duties. See Appendix A for additional resources, publications and training for officials.

## Finding 4 – Employees circumvented the disbursements process.

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The Town's Highway Department sold scrap metal from various Town road maintenance projects to a local vendor and purchased metal-related products when needed from the same vendor. The Town received credit on an account with the vendor based on the type and quantity of scrap metal the Town sold rather than receiving a check or cash payment, which Town officials and employees would have deposited in a Town bank account to be used to fund operations. When the Town purchased metal products, the vendor deducted the amount from the account accordingly. Although the Superintendent received a corresponding weigh ticket for the scrap metal sold and invoices for the purchases made, none of the activity related to the account went through the Town's disbursements process. Because of these internal control deficiencies, we reviewed all 11 scrap metal account credits totaling \$4,100 and all 12 purchases totaling \$4,500 during our audit period. We determined that all 12 purchases were likely for Town-related purposes, and the Town had a remaining account credit balance of \$8,700 with the vendor as of September 25, 2024.

The Superintendent told us that the account with the vendor was established by his predecessor, which he continued, and that it was convenient to get the material necessary to complete the task when on a job site. However, operating a credit account in this manner circumvents the disbursements process and does not allow the Board to properly audit the purchases and approve them prior to payment. As a result, there is an increased risk that the Town could incur unnecessary costs or pay for goods and services that were not actually received or were not for proper Town purposes. In addition, money due to the Town that was not properly deposited in a Town bank account leaves revenue at risk.

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## Recommendation

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9. The Board and Town officials should close the credit account with the metal vendor, deposit the credit balance and future scrap metal sales into the applicable Town bank account, and ensure all Town purchases of metal have an associated claim form, are properly accounted for, approved and paid.

# Appendix A: Profile, Criteria and Resources

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## Profile

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The Town is located in Tioga County and is governed by the elected five-member Board, which includes the Supervisor. The Village of Spencer is located within the boundaries of the Town. The Board is responsible for the general oversight of Town operations and finances. The Supervisor serves as the chief fiscal officer and is responsible for managing the Town's day-to-day operations and is responsible for ensuring that only approved non-payroll disbursements are paid and recorded in the accounting records. The Superintendent is responsible for overseeing all Highway Department operations. The Clerk collects the claims from the department heads to provide them to the Board for audit at the monthly meetings and is responsible for authorizing and directing the Supervisor to pay claims that have been audited and approved by the Board. The Town's bookkeeper was given the responsibility of preparing the checks after the Board audits and approves the claims for payment.

The Town has five funds which include the four main operating funds, which are the general fund town-wide (TW), highway fund TW, general fund town-outside-village (TOV) and highway fund TOV. The Town's 2024 budgeted appropriations were as follows:

- General fund TW: \$433,400
- Highway fund TW: \$405,000
- General fund TOV: \$37,300
- Highway fund TOV: \$947,300

## Criteria – Disbursements

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A board should ensure that all purchases are authorized, adequately supported and approved by the board prior to payment. Claims should only be paid after the officer of the claim verifies that the service has been rendered or the product has been delivered. Employees should provide original records – such as invoices, packing slips and monthly account statements – to those authorizing disbursements. After the board audits and approves the claims, the clerk prepares and signs an abstract of audited claims which provides the supervisor with the necessary authorization to pay the claims. The following are relevant statutory provisions:

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

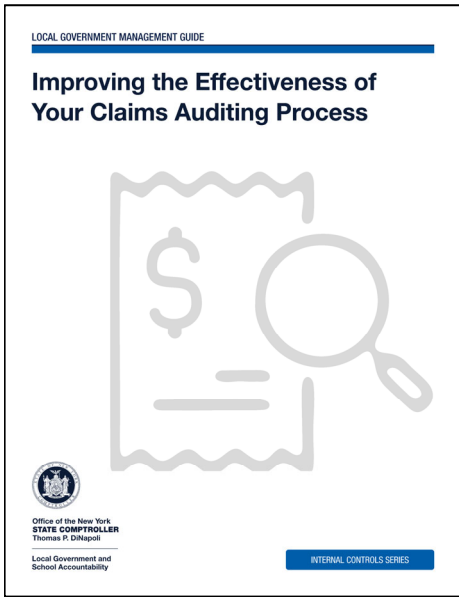
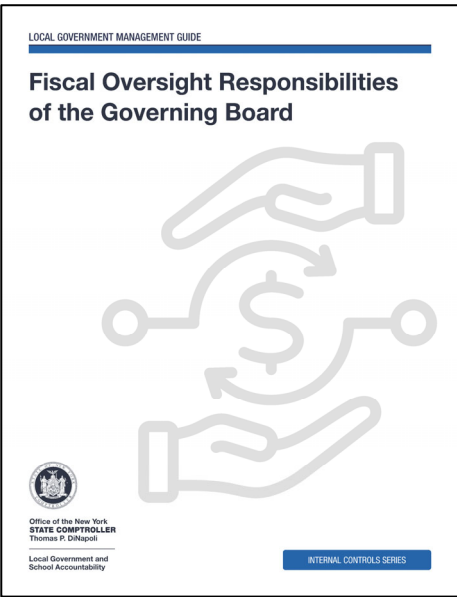
Pursuant to Town Law Section 119, when a claim has been audited by the board, the clerk will file the claim or claims in numerical order as a public record of the clerk's office. The clerk will prepare an abstract of the audited claims specifying the number of the claim, the name of the claimant, the amount allowed and the fund and appropriation account chargeable, and such other information as may be deemed necessary and essential. The supervisor then authorizes the payment of the claims and directs the clerk to pay to the claimant the amount allowed upon the claim.

Pursuant to Town Law Section 125, in a town in which there is no comptroller, when a claim has been audited and approved by the board, the clerk is responsible for preparing and certifying an abstract of the audited claims, authorizing and directing the supervisor to pay the claimant the amount allowed.

## Additional Disbursements Resources

**FIGURE 3: OSC Publications**

OSC *Local Government Management Guides* available on our website to help officials understand and perform their responsibilities.

| <b><i>Improving the Effectiveness of Your Claims Auditing Process</i></b>   | <b><i>Fiscal Oversight Responsibilities of the Governing Board</i></b>  |
|---|---|
|  <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p><b>Improving the Effectiveness of Your Claims Auditing Process</b></p> <p>Office of the New York State Comptroller<br/>Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>INTERNAL CONTROLS SERIES</p> |  <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p><b>Fiscal Oversight Responsibilities of the Governing Board</b></p> <p>Office of the New York State Comptroller<br/>Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>INTERNAL CONTROLS SERIES</p> |
| <a href="https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf</a>   | <a href="https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf">https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf</a>   |

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

# Appendix B: Response From Town Officials

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The Town's response letter includes an attachment that supports the response letter. Because the Town's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix B.

79 East Tioga Street  
Spencer, NY 14883

Allen Fulkerson  
Town Supervisor  
supervisorsp@htva.net

## TOWN OF SPENCER



Terri MacCheyne  
Town Clerk  
TEL: (607) 589-4887  
<https://townofsp@htva.net>

June 30, 2025

Mr. Lucas S. Armstrong

Chief of Municipal Audits

State Office Building, Suite 1702

44 Hawley Street

Binghamton, NY 13901-4417

Re: Disbursement Audit Response

Dear Mr. Armstrong:

This letter will serve as the Town of Spencer's official response and corrective action plan to the findings of the disbursement audit your unit prepared.

### Audit Response and Corrective Action Plan

#### Finding No. 1

In the past the Town has paid invoices for services that do not always appear on an abstract as line items from the approved budget were approved by the board at the annual passing of the Town budget. The budget process identifies the cost of health insurance, liability, vehicle insurance, and workers compensation for the next budget year. The board does not see the individual checks as they are issued, nor do they see the monthly, quarterly, or annual billings that the Town receives. The bookkeeper prepares the checks based upon the invoices received.

The Town will be placing the individual invoices on the abstract so the board can audit the process for the above items.

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Although the Town does not have an engineer on a retainer, the Town consistently uses one multifaceted firm for all our work. The Town does not bid for professional services. The board does get to see and vote on a proposal for engineering costs for all projects that are bid. The invoices for the related work do show up on the abstract. The Town does not receive a proposal for emergency work, for example where one of our bridges is inspected and is red flagged by DOT.

The Town will make sure there is information on the invoice to document what the services were for.

Highway maintenance does involve the purchase of stone and related paving costs. There are monies in the annual budget allocated for highway maintenance and as long as the projects stay within those budgeted amounts, the board is not involved in the day to day operations of the highway department. However, the board does audit the invoices for such work as they appear on the abstract.

In the future, the Town will have the highway superintendent document which projects the materials were purchased for and identified on the abstract.

Costs associated with the repair of vehicles, mileage reimbursement, cleaning services, and web maintenance will be shown on the abstract with a description identifying the expense.

#### Finding No. 2

There are errors in data entry from time to time when preparing the abstracts.

The town board will be asked specifically to verify the abstracted amounts with the amount shown on the invoice. The supervisor will verify with the bookkeeper that the check amounts do in fact agree with what the board has approved.

#### Finding No. 3

It is apparent that the invoices from vendors doing business with the highway department where monetarily correct, but there was not enough documentation provided to the clerk to identify what the expense was for. The highway superintendent had the documentation but did not include it with the invoice that was placed on the abstract.

The Town of Spencer is a member of the Association of Towns where there is available training for board members describing their duties. Each town board member does receive a manual from the Association describing their duties and obligations.

The Town Board will review all invoices to ensure the documentation for each invoice is included and matches the description and amount placed on the abstract.



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Finding No. 4

The Town Board is aware of the credit account the Town has with a local scrap metal processor.

Although the board never sees the actual cash amount in the credit account, the account has never been abused by our employees, but there is no verification of credit amounts and what the money was spent for.

The Town will demand the scrap processor issue a check to the Town in the amount of the current credit, and the check will be placed in the appropriate Town accounts. The credit account will be terminated.

In the future, the Town will require the scrap processor to issue a check for the amount of scrap turned in, and will deposit the check in the appropriate town accounts.

Respectfully submitted,

Allen T. Fulkerson

Supervisor

Town of Spencer

Tioga County, New York

# Appendix C: Audit Methodology and Standards

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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 Town officials and reviewed Town policies, procedures and claim packets to determine the adequacy of the claims audit and disbursement processes.
- We reviewed all 647 disbursements totaling \$2.1 million from bank statements for the audit period and compared these to Board-approved abstracts to identify any disbursements paid that were not on Board-approved abstracts. We compared the disbursements identified with the canceled check images, the invoices and claim vouchers to determine whether the amounts and payees matched and were for proper Town purposes.
- We reviewed all 123 non-payroll disbursements totaling \$262,100 from bank statement canceled check images for the months of January and August. We judgmentally selected these months due to the increase in disbursements for snow removal activity in the winter and road maintenance in the summer for both 2023 and 2024 for the general funds and highway funds. We then traced these disbursements to claims and abstracts (if applicable) to determine whether all disbursements were approved, paid accurately after approval, adequately supported and for proper Town purposes. We also compared the canceled check images to the invoices, claim vouchers and abstracts to determine whether the amounts and payees matched.
- We reviewed 12 purchases totaling \$4,500 from a credit account and the corresponding itemized invoices for all transactions within the audit period. We assessed these purchases to determine whether they were for proper Town purposes.

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 relevant population size and the sample selected for examination.



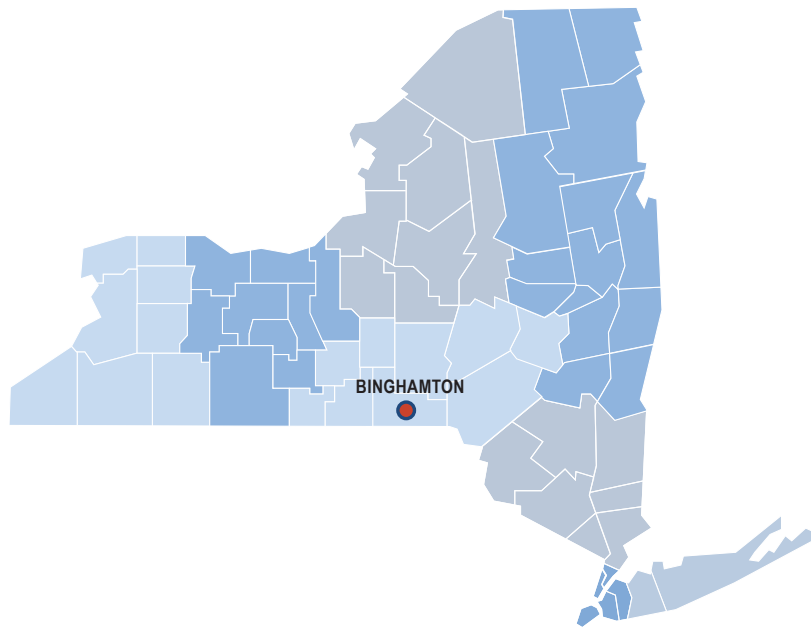
## Contact

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