

New York State Comptroller
THOMAS P. DiNAPOLI

Town of Denmark

Claims Auditing

June 2026 | 2026M - 32

Prepared by the Division of Local Government and School Accountability

Table of Contents

Audit Results	1
Claims Auditing: Finding and Recommendations	3
Finding 1 – The Board did not properly audit claims.	3
Recommendations	4
Appendix A: Profile, Criteria and Resources	5
Profile	5
Criteria	5
Additional Resources	5
Appendix B: Response From Town Officials	6
Appendix C: Audit Methodology and Standards	8

Audit Results

Town of Denmark

Audit Objective

Did the Town of Denmark (Town) Board (Board) properly audit and approve claims before payment?

Audit Period

January 1, 2024 – January 21, 2026

Understanding the Audit Area

The audit of claims is often the last line of defense in preventing unauthorized, improper or fraudulent claims from being paid. When a town has a strong claims auditing process, the control consciousness of its staff is enhanced because officials and employees are aware that a careful review of claims will occur before public funds are disbursed. Because it is a town board's responsibility to ensure that tax dollars are spent properly, efficiently and in the best interests of the taxpayers, the town board should conduct a thorough and deliberate audit of claims before directing the town supervisor to pay them.

During the period January 1, 2024 through September 30, 2025, the Town paid 896 claims totaling approximately \$4 million from its main operating funds.

Audit Summary

The Board did not properly audit and approve all claims before payment. While the Board approved an abstract (list of claims) for payment each month, it did not conduct a thorough audit of individual claims to determine whether they contained adequate supporting documentation, represented actual and necessary expenditures and were for valid Town purposes. Because the Board did not conduct a thorough audit of claims before approving them for payment, the Town had an increased risk that it could make improper payments which could remain undetected.

We reviewed 167 claims totaling approximately \$1.2 million and identified discrepancies with 105 claims totaling \$673,969, which included the following:¹

- Department head approval was not documented for 102 claims totaling \$608,034. Without these documented approvals, Town officials could not ensure that the Town received the goods and services and that the expenditures were properly authorized.
- Four claims for health insurance premiums totaling \$17,141 in our sample were not approved for payment by the Board. Because claims for health insurance premiums were not included on abstracts, the Town Supervisor (Supervisor) paid monthly health insurance invoices totaling \$259,109 from January 2024 through September 2025 without Board approval. Therefore, the Board could not ensure the accuracy of these payments and verify that only eligible individuals received coverage.
- Five claims did not have adequate support, such as original receipts or itemized invoices, for expenditures totaling \$11,773. During our audit, the Supervisor was able to provide original receipts or other adequate supporting documentation from vendors and a claimant to support four claims totaling \$11,743. However, when the Board approves claims without sufficient support, it increases the likelihood that the Town could pay for inappropriate expenditures that are not for Town purposes.

In addition, the Town improperly paid two claims totaling approximately \$43,500 for paving materials and renting equipment that was used to pave a parking lot owned by a volunteer fire company (fire company),

¹ Some claims contained more than one discrepancy. Refer to Appendix C for further information on our sample selection.

which is a separate not-for-profit entity. Although the fire company later reimbursed the Town for the cost of the materials and rental services, the fire company did not reimburse the Town for the Town's highway employee labor costs of approximately \$1,500 for paving the parking lot. Because Article VIII, Section 1 of the New York State (NYS) Constitution generally prohibits towns from making gifts or loans to or in aid of a private entity, the Town should not have used town funds and employees to perform paving work for a private entity, such as the fire company.

In October 2025, the Board began taking steps to improve the Town's claims auditing process. Before approving claims for payment at the October monthly meeting, Board members reviewed the individual claims and signed and dated each claim voucher to document their review and approval.

The report includes four recommendations that, if implemented, will help the Board to continue to improve the Town's claims auditing process. Town officials generally agreed with our recommendations and have initiated or indicated they plan to initiate corrective action.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's 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 OSC within 90 days, pursuant to GML Section 35. For more information on preparing and filing the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Board is encouraged to make the CAP available for public review in the Town Clerk's office.

Claims Auditing: Finding and Recommendations

A town board should perform a thorough audit of each claim against the town, before authorizing payment, by ensuring that claims are adequately supported, authorized by an appropriate department head and for valid and legal purposes. After the town board audits and approves the claims for payment, the town clerk must prepare an abstract that authorizes and directs the town supervisor to pay the claims.

More details on the criteria used in this report, as well as resources OSC makes available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – The Board did not properly audit claims.

The Board did not properly audit each claim and supporting documentation. Instead, the Board reviewed only an abstract each month and approved the abstracts for payment. Although the abstract listed claims, it did not contain sufficient details or itemization of the claims for the Board to determine whether the claims represented actual and necessary expenditures and whether proposed payments were for valid Town purposes.

We reviewed 167 claims totaling approximately \$1.2 million² that were paid from January 1, 2024 through September 30, 2025 and identified discrepancies with 105 claims totaling \$673,969, which included:³

- 102 claims totaling \$608,034 were paid without documented department head approval. Having department heads approve the claims helps ensure that the Town actually received the goods and services, the expenditures were necessary and the purchases were authorized. Without this approval, the Board cannot effectively verify that claims are valid or that expenditures were incurred for appropriate Town purposes.
- Four claims for health insurance premiums totaling \$17,141 were not included on abstracts and approved for payment by the Board. The Supervisor told us that the Board was not auditing and approving claims for health insurance premiums before he took office and that the Board had already approved the health insurance contract. The Supervisor and two Board members told us that they did not realize that the Board also needed to review and approve the individual claims for health insurance premiums. From January 1, 2024 through September 30, 2025, the Supervisor paid monthly claims for health insurance premiums totaling \$259,109 without Board audit and approval because the claims were not included on abstracts. Although the Town entered into a written agreement establishing the monthly health insurance premium amounts for single, two-person and family coverage, the agreement did not specify the total amount the Town would pay each month or the individuals who were eligible for Town coverage. Because the contract did not have these details, the Board should have audited and approved the claims to ensure that the payments were accurate and to verify that the individuals who received coverage were eligible.
- Five claims totaling \$11,773 did not have adequate supporting documentation. Some of these claims were paid based on vendor statements or partial documentation rather than itemized invoices or receipts that supported the full claim amount. During our audit, the Supervisor obtained original receipts and additional supporting documentation from vendors and a claimant to support four claims totaling \$11,743. When the Board approves claims without sufficient support, the Town has an increased risk that expenditures may not represent actual and necessary Town costs or may not be for proper Town purposes.

² Refer to Appendix C for further information on our sample selection.

³ See supra, note 1.

All five of the Board members told us that the Board previously audited individual claims before approving them for payment but discontinued this practice during the COVID-19 pandemic when they held remote meetings. However, when the Board resumed in-person meetings, it did not resume reviewing individual claims before authorizing them for payment. Without an effective claims auditing process, the Board's ability to oversee Town financial operations is diminished, and errors, irregularities and improper payments may occur and remain undetected.

Before our audit fieldwork began, our office provided technical assistance to the Supervisor regarding the Board's claims auditing responsibilities. Beginning in October 2025, the Board resumed reviewing individual claims, and Board members began signing and dating each claim voucher before approving claims for payment. The Board also adopted a voucher processing policy to provide additional guidance to officials and employees for processing and approving vouchers before payment. We reviewed the October 2025 claims and confirmed that Board members reviewed and signed the individual claim vouchers before approving the payments at the October 2025 Board meeting.

In addition, the Town improperly paid two claims totaling approximately \$43,500 for paving materials and renting equipment that was used to pave a parking lot owned by a volunteer fire company, which is a separate not-for-profit entity. The Highway Superintendent (Superintendent), who also was a member of the fire company, made an informal verbal arrangement with the fire company for the Town to pave the fire company's parking lot in October 2024 with the understanding that the fire company would reimburse the Town for the expenditures at a later date. After the paving work was completed, the Board became aware of the informal arrangement but still authorized payment for the paving materials and equipment rental in November 2024.

The Superintendent told us that four Town highway employees completed the paving work of the fire company's parking lot over the course of two days. Although he did not maintain any records showing the number of hours that the employees worked on the paving project, the Superintendent estimated that the Town's labor costs totaled approximately \$1,500. In December 2024, the fire company reimbursed the Town for the materials and rental equipment costs, but it did not reimburse the Town for any of the estimated labor costs.

The Town did not have any statutory or contractual obligation to use Town resources for this paving project. Furthermore, there is no indication that paving a private entity's parking lot furthered a proper Town purpose. Instead, due to the NYS Constitution Article VIII, Section 1 general prohibition on towns making gifts or loans to or in aid of a private entity, the Town should not have used Town funds and employees to perform paving work for the fire company, even if the Town was subsequently reimbursed by the private entity.

Recommendations

The Board should:

1. Conduct a thorough and deliberate audit of all claims before approving them for payment. This audit should ensure that each claim:
 - a. Is properly authorized, which includes obtaining documented department head approval, when applicable
 - b. Contains sufficient supporting documentation, such as original itemized invoices or receipts
 - c. Represents actual and necessary expenditures that are for valid Town purposes.
2. Ensure that claims for health insurance premiums are presented to the Board for audit and included on approved abstracts before payment.
3. Consult with the Town's legal counsel to consider whether it is appropriate to seek reimbursement from the fire company for the Town's labor costs associated with paving the fire company's parking lot.

The Supervisor should:

4. Only pay claims that have been audited and approved by the Board, unless otherwise authorized by law.

Appendix A: Profile, Criteria and Resources

Profile

The Town is located in Lewis County and is governed by an elected five-member Board, which includes the Supervisor and four Board members. The Board is responsible for overseeing the Town's operations and finances.

The Supervisor serves as the Town's chief fiscal officer and is responsible for the Town's day-to-day operations, which includes paying claims that have been audited and approved by the Board. After the Board audits and approves the claims, the Town Clerk is responsible for preparing and certifying an abstract of the audited claims, which authorizes and directs the Supervisor to pay claims.

The Town's 2025 budgeted appropriations totaled approximately \$2.07 million.

Criteria

NYS Town Law, Section 118 generally requires town boards to audit claims before payment. A town board should perform a thorough audit of every claim against the town before authorizing payment by ensuring (among other requirements) that claims are adequately supported (i.e., with itemized invoices or receipts) and for valid and legal purposes.

Typically, a town board will audit each claim packet, which includes a standard voucher form (as a cover sheet) and a combination of original invoices, receiving slips and other relevant documentation that support the claim. As part of the audit process, a town board should ensure that each claim has documented approval by an official, or department head who initiated the purchase, to indicate authorization of the purchase. After the town board audits and approves the claims, the town clerk must prepare an abstract of the audited claims, which authorizes and directs the town supervisor to pay the claims.

Furthermore, Article VIII, Section 1 of the NYS Constitution generally prohibits towns from making gifts or loans to, or in aid of, a private entity. Town officials should ensure that payments to, or on the behalf of, a private entity are based on a contractual obligation or statutory requirement and that the payments are for proper Town purposes.

Additional Resources

OSC's *Local Government Management Guides*, and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *Improving the Effectiveness of Your Claims Auditing Process*: <https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>
- *The Practice of Internal Controls*: <https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>
- *Fiscal Oversight Responsibilities of the Governing Board*: <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

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

Appendix B: Response From Town Officials

The content below is a reproduced copy of the original response letter issued by Town officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*⁴ and may have included changes to spelling and grammar. The substance of the content was not changed.

Town of Denmark

June 15, 2026

Office of the State Comptroller Syracuse Regional Office
State Office Building Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Re: Town of Denmark Response to Draft Report- Claims Auditing 2026M-31

To: The Office of the State Comptroller

On behalf of the Town Board, we acknowledge receipt of your findings and thorough audit. Please find the Town of Denmark's response to each concern and corrective action taken to address said concern.

FINDING #1 - The Board did not properly audit claims

Item#1:

Response: The Town Board stopped auditing claims when COVID 19 restrictions were instituted. Meetings were held remotely and abstracts were approved by resolution to limit physical contact between board members. Once the pandemic was declared over and regular open meetings resumed, the board received incorrect direction that approving the abstracts that listed each Voucher was the new norm. During this time the Supervisor did review each Voucher and receipt prior to signing checks, did call several invoices into question, stopped some payments until clarification was obtained, and stopped some payments all together.

Corrective Action Taken: During the audit, the Auditor advised that we had defects in our Voucher Processing Policy. A new Voucher Processing Policy was immediately developed, unanimously passed and implemented at our October 20, 2025, meeting, months before the audit was complete. The adopted policy meets Town Law Section 118(1) as outlined. The Town has been conducting a thorough and deliberate audit of all claims before approving them for payment since September 25, 2025. This Audit ensures that each claim:

- Is properly authorized, which includes obtaining documented department head approval, when applicable.
- Contains sufficient supporting documentation, such as original itemized invoices or receipts.
- Represents actual and necessary expenditures that are for valid Town purposes.

Item#2:

Response: The Town Board had been processing the Teamsters Health Insurance Premiums exactly the same way since the Teamsters' Union's inception on January 1, 1991. The Town Board believed that since the Teamsters contract is a 3-year term that outlines the cost for both Bargaining and Non-Bargaining Units that we were processing the claims within acceptable accounting principles.

⁴ <https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule>

Corrective Action Taken: In January during the initial review of the audit findings, the Supervisor and a Councilman were advised by the Auditor that the way we were processing the Teamsters' Health Insurance Premiums was outside of acceptable accounting practices. At our March 18, 2026, board meeting, a resolution was unanimously passed indicating that we would follow the Town's Voucher Processing Policy for Teamsters' Health Insurance Premiums for both the Bargaining and Non-Bargaining units of the Town.

Item#3:

Response: The "former" Water Superintendent and a Trainee enrolled in a Water Conference being held remotely. Two enrollment fees of \$30 each were charged to the Superintendent's Town Credit Card. For an inexplicable reason, only one \$30 receipt was submitted with the voucher.

Corrective Action Taken: The Town Board will not process any Voucher that does not follow the Voucher Processing Policy adopted October 20, 2025. The current Town Clerk has reached out to the Water Conference Organizer to obtain a proper receipt for the record. If received, we will provide documentation to the Audit Team.

Item#4:

The last item of concern involves the improper processing of (2) two claims totaling approximately \$43,500 for paving materials and rental equipment to pave the parking lot owned by a volunteer fire company, located inside the Town of Denmark. Also, an additional \$1,500 that was calculated to be the labor associated with that project.

Response: The "former" Highway Superintendent committed the Town of Denmark taxpayers to initially pay for paving the parking lot of a local volunteer fire company when he authorized and completed the project. The Town Board was not advised of this project until after its completion. The Board held a discussion about this during the Superintendent's report to the Board. The Board felt that, as an Official of the Town, the Superintendent had committed Town taxpayers to the initial payment. The Board also felt that since the fire company is governed by a Village Corporation within the Town boundaries we were certain that the Town would be reimbursed.

Corrective Action Taken: All Town officials are aware that the Town will not be responsible for purchasing items that are not associated with Town business. The NYS Comptroller's suggestion of involving the Town's Attorney for advice was considered, however, a different solution was proposed. This proposal will not cost Town taxpayers additional funds for Attorney fees. The Supervisor met with the Village Board on June 9th, to discuss the repayment of the \$1,500 that was calculated to be wages for manpower utilized for the paving. Our contracted Fire Departments typically receive an approximate 2% tax increase each year. In next year's budget, the Volunteer Fire Company involved would have been budgeted a 1.84% or \$1,500 increase in funding for 2027. The Village Board and the Town Board have agreed that the Fire Company will not receive a 1.84% or \$1,500 contract increase in 2027 to settle this matter.

In closing, the Town Board thanks the New York State Comptroller **for answering "our" request to conduct a claims audit. We felt that an outside unbiased review of the Town's claims was in order, due to several discrepancies, to ensure that a fair and unbiased investigation was conducted.** We believe that was completed. It was a learning experience for everyone involved. We initiated immediate corrective action upon learning of shortfalls in policy. We are now certain the Town is in compliance with claims processing policy that meets Town Law Section 118(1).

Scott M. Doyle
Supervisor
Town of Denmark

Appendix C: Audit Methodology and Standards

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

- We interviewed Town officials and reviewed policies and procedures, and the Board's meeting minutes, to gain an understanding of and evaluate the adequacy of the Town's claims auditing process.
- The Town paid 896 claims totaling approximately \$4 million from January 1, 2024 through September 30, 2025. This timeframe represents the start of our audit period (January 1, 2024) through the last full month of disbursements that were available to review (September 30, 2025) at the time that we began our audit testing. We used our professional judgment to select the two months with the highest dollar amount of claims during this timeframe (September and November 2024) that were paid from the main operating funds. We reviewed all 90 claims totaling \$1,009,425 that were paid during those months to determine whether they were:
 - Audited and approved by the Board before payment
 - Properly supported by itemized invoices or receipts
 - Authorized by department heads
 - For valid Town purposes and represented actual and necessary expenditures.
- We used our professional judgment to select an additional 77 claims totaling \$178,345, which were paid from January 1, 2024 through September 30, 2025, and reviewed them to assess whether they were legitimate Town expenditures. These claims included credit card payments and claims that posed a higher risk for possibly being inappropriate Town expenditures, such as payments to Board members or other Town officials, claims with unfamiliar vendor names and purchases from vendors that were potentially unrelated to Town operations.
- We selected two consecutive months of abstracts (January and February 2025) during the audit period for review without any expectation that they would have more or less discrepancies than any other months. We compared the abstracts to electronic disbursement data and bank statements to identify claims that were not included on abstracts and paid outside of the claims auditing process. During our review, we identified claims for health insurance premiums paid outside the claims auditing process and expanded our sample to identify the total amount of claims for health insurance premiums paid from January 1, 2024 through September 30, 2025.

OSC auditors conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. Auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the 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.

Questions?

SYRACUSE REGIONAL OFFICE

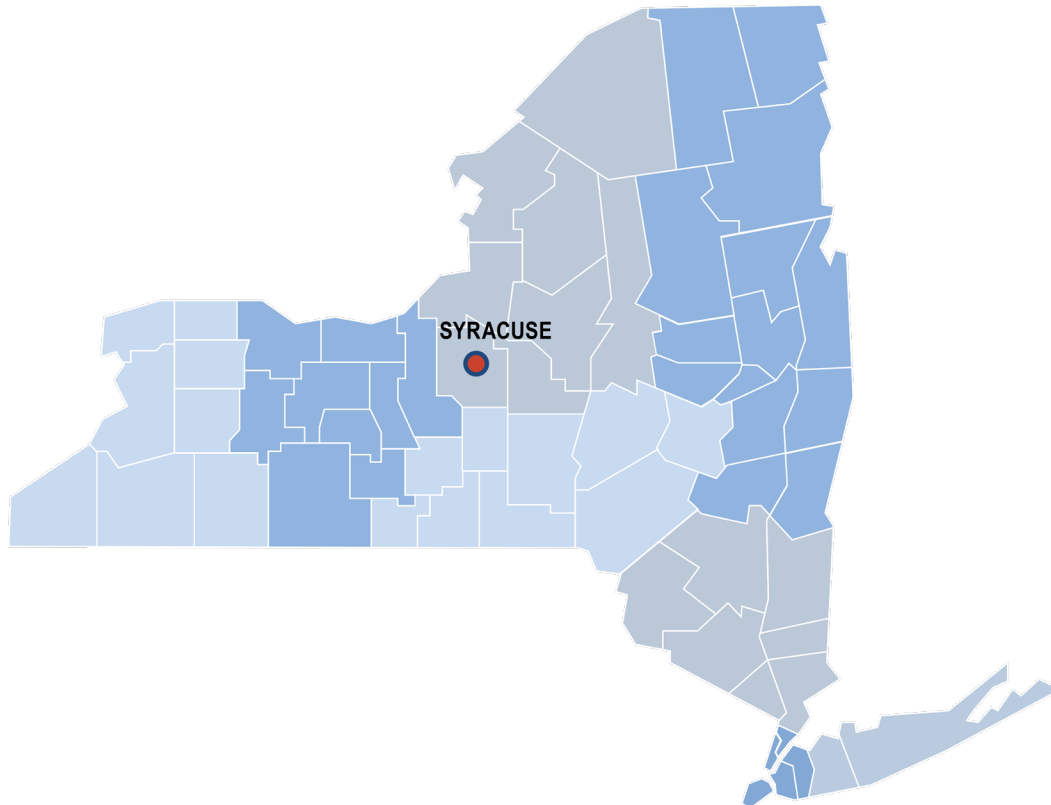
Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119

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Office of the New York State Comptroller

Division of Local Government and School Accountability

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Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236(518) 474-4044

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