New York State Comptroller
THOMAS P. DiNAPOLI

Town of Montgomery

Non-Payroll Disbursements

November 2026 | 2024M-133
Prepared by the Division of Local Government and School Accountability

Table of Contents

Audit Results 1

Non-Payroll Disbursements: Finding and Recommendations 2

Finding 1 – The Board approved non-payroll disbursements that were not supported, properly authorized and for appropriate Town purposes. 2

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 Montgomery

Audit Objective

Did the Town of Montgomery (Town) Town Board (Board) ensure non-payroll disbursements were supported, authorized and for appropriate Town purposes?

Audit Period

January 1, 2022 – August 31, 2023

Understanding the Audit Area

A town board must ensure all disbursements, including non-payroll disbursements, are supported by adequate documentation, made in accordance with legal and town policy requirements, authorized, and for appropriate town purposes. This helps ensure financial accountability, prevent the misuse of town funds and build public trust.

The Town's 2023 budgeted appropriations totaled $15.4 million and, during the audit period, Town officials made 3,709 non-payroll disbursements totaling $39 million.

Audit Summary

The Board did not ensure non-payroll disbursements were supported, authorized and for appropriate Town purposes. As a result, the Board's ability to effectively monitor Town financial operations is diminished, and errors and irregularities may continue to occur and remain undetected and uncorrected.

We reviewed 111 non-payroll disbursements totaling $3.4 million and determined that certain disbursements had multiple exceptions totaling $1.3 million. Specifically:

- 40 disbursements totaling $838,859 were not properly authorized because the Board did not audit them prior to payment, as required by NYS Town Law (Town Law) Section 118.
- 32 disbursements totaling $43,963 did not contain any supporting documentation, including receipts and credit card statements, to support the payments.
- 45 disbursements totaling $34,686 contained transactions totaling $23,166 that did not have documentation identifying whether the payment was for an appropriate Town purpose. For example, one disbursement included $365 in tolls for bridges and interstate highways with no documentation indicating the business purpose of the travel, and another disbursement included a $35 fee for the Supervisor's spouse,[1] who is not a Town employee, to attend the Orange County Association of Towns meeting.
- One disbursement totaling $2,686 was a duplicate payment made to the Town's credit card vendor, as a manual check was previously issued in the same amount to the vendor but was not processed in the financial system, leading to the additional check being issued.

The report includes four recommendations that, if implemented, will improve the Town's claims auditing and payment processes, strengthen internal controls, improve Board oversight and reduce the risk of unauthorized or improper disbursements. Town officials agreed with our findings and indicated they have initiated or plan to initiate corrective action. The Town's response is included in Appendix B.

1 This was the spouse of the Supervisor who served from January 1, 2023 through December 31, 2023.

Non-Payroll Disbursements: Finding and Recommendations

A town board is responsible for overseeing the town's financial activities and safeguarding resources. To accomplish this, the town board must ensure that non-payroll disbursements are adequately supported, properly authorized and for appropriate town purposes. This can be accomplished by ensuring each claim is properly audited. 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 policy, credit card policy) and that amounts claimed represent actual and necessary town expenditures. Disbursing funds after a thorough and deliberate review of claims is an important part of a town board's responsibility to ensure that all tax dollars are only being spent on goods and services with a town purpose. Town board members should indicate their approval of claims by signing or initialing each individual claim, or the abstract of audited claims, indicating their approval. After claims have been audited and approved for payment, the town clerk should provide the approved abstract to the town supervisor to prepare and sign the checks.

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

Finding 1 – The Board approved non-payroll disbursements that were not supported, properly authorized and for appropriate Town purposes.

We reviewed 111 non-payroll disbursements totaling $3.4 million to determine whether they were adequately supported, authorized and for appropriate Town purposes. We determined that there were 121 exceptions[2] totaling $1.3 million.

Not Properly Authorized – Of the 111 disbursements reviewed totaling $3.4 million, 103 disbursements totaling $900,076 were required to be audited and approved by the Board prior to payment. We determined that the Board did not properly authorize 40 disbursements totaling $838,859 because they were not audited prior to payment. Specifically, the former Supervisors circumvented the claims audit process and issued 39 manual checks totaling $838,779, such as:

- Two disbursements totaling $238,506 for insurance,
- Four disbursements totaling $39,903 for vehicle lease payments,
- Two disbursements totaling $30,241 for fuel, and
- Nine disbursements totaling $19,662 for credit card payments.

The Budget Officer told us that manual checks were entered in the financial system after they were issued and presented to the Board, along with supporting documentation, for review and approval at the next Board meeting. However, adequate supporting documentation was not always provided when the manual checks were presented to the Board. Furthermore, while Town Law Section 118 permits certain expenditures to be paid prior to Board audit, the former Supervisors used manual checks for expenditures that required audit and approval by the Board prior to payment.[3]

Although Town Law Section 119 assigns the Clerk the responsibility of sending approved claims to the Supervisor to prepare and sign checks, Town officials delegated this responsibility to the Budget Officer. The Budget Officer printed checks prior to claims being approved and then provided the Board with a copy of the check register for approval during the claims audit. We also determined that the Town's process for reviewing disbursements using manual checks was not effective because it circumvented the claims audit process and claims were not reviewed until after they were paid.

2 Some non-payroll disbursements had multiple issues and, therefore, are included in multiple categories.
3 A town board may, by resolution, authorize payment for public utility services, postage, freight and express charges in advance of audit. The claims for such advance payments must be presented at the next regular town board meeting for audit.

In addition, the Board did not adopt a claims audit policy or update the voucher procedures to reflect current processes. For example, the voucher[4] procedures required that claims were complete, and had appropriate approvals and supporting documentation. Furthermore, the procedures did not include a process for manual checks, including how and when they should be used. Because Town officials did not follow Town Law or their voucher procedures when preparing and auditing claims, there was an increased risk of officials making inappropriate disbursements without detection.

Lack of Supporting Documentation – We determined that the Board approved 32 non-payroll disbursements totaling $43,963 that did not have any supporting documentation. Specifically:

- 22 disbursements for Town credit card payments totaling $23,786 were missing receipts and/or credit card statements to support the claims. For example, one included a $589 charge for vehicle parts without an invoice or receipt describing what the parts were or what vehicle the parts were for. Another was for a $325 charge for a local restaurant that did not have support attached describing who attended the meal, what was purchased or why the charge was appropriate.
- 10 disbursements totaling $20,177 were made using manual checks that circumvented the claims audit process and did not have any documentation attached to support the payments. Due to the lack of documentation, we could not determine whether the disbursements were for appropriate Town purposes. These disbursements included eight credit card payments totaling $19,227, a payment to a catering vendor for the Town's annual safety meeting totaling $850 and a payment to the Orange County Clerk totaling $100.

Questionable Disbursements – We could not determine whether all transactions related to 45 non-payroll disbursements totaling $34,686 were for proper Town purposes. These disbursements included transactions totaling $23,166 that did not contain adequate supporting documentation to determine the purpose of the transaction. For example:

- 15 disbursements totaling $13,926 included credit card transactions for $2,590 that did not have documentation identifying what was purchased.
- 19 disbursements totaling $408 for toll payments incurred by the former Supervisor and police department officials included transactions for $365 that did not have support documenting the purpose of the travel.
- One disbursement totaling $175 included a $35 fee paid for the Supervisor's spouse, who is not a Town employee, to attend the Orange County Association of Towns meeting. The support for the disbursement did not indicate why it was appropriate for the Supervisor's spouse to attend the meeting.

Duplicate Disbursement – We determined that the Town made a non-payroll disbursement to the credit card vendor totaling $2,686 using a manual check which was processed in the financial system to record the payment and notify the Board that the payment was made. However, the Budget Officer entered the disbursement into the financial system again, resulting in another check totaling $2,686 being processed and sent to the vendor, causing the duplicate payment.

Without a thorough and deliberate review of individual claims and supporting documentation, the Board did not have enough information to determine whether claims were properly supported and for appropriate Town purposes. Additionally, when claims are paid in advance of the Board's review and approval, there is an increased risk that the Town could pay for inappropriate claims without detection.

4 The combination of original invoices, receiving slips, other relevant documentation and the standard claim form (as a cover sheet) is commonly referred to as the voucher or claim package.

Recommendations

The Board should:

1. Develop and adopt comprehensive written policies and procedures for auditing claims and update the voucher processing procedures to reflect current practices, including the use and approval of manual checks.
2. Conduct a thorough and deliberate audit of claims before payment to ensure they are adequately supported and for valid Town purposes.

The Supervisor should:

3. Discontinue the practice of using manual checks to pay claims (if possible) and process checks through the Town's financial software. Limit manual checks to infrequent circumstances when necessary and ensure they are processed in accordance with established policies and procedures.
4. Ensure all claims are processed through the financial system, supported by adequate documentation and presented to the Board for audit and approval before payment is made.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and OSC's authority as set forth in Article 3 of the NYS 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 Section 35 of GML. For more information on preparing and filing your 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.

Appendix A: Profile, Criteria and Resources

Profile

The Town, located in Orange County, is governed by the elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for the general oversight of Town operations and finances, which includes auditing claims. The Supervisor serves as the Town's chief fiscal officer and is responsible for the day-to-day operations.

During the audit period, the Town had two Supervisors. The former Supervisor served from January 1, 2022 until he resigned on December 30, 2022. The subsequent Supervisor served from January 1, 2023 through December 31, 2023. The Supervisor and Budget Officer are both responsible for authorizing claims for processing. The Budget Officer is also responsible for preparing manual checks, processing claims and presenting them to the Board prior to the regular monthly meetings. Although Town Law Section 119 states that a town clerk will prepare the abstracts, the Town delegated this responsibility to the Budget Officer. The Supervisor was responsible for signing checks for non-payroll disbursements.

Criteria

A town board and town officials are responsible for establishing and implementing procedures to ensure that disbursements are properly reviewed and approved, adequately supported and for town purposes. A properly authorized, supported and appropriate disbursement is one that the claim complies with town policies and legal requirements, the amount claimed was for goods and services actually received, and the proposed payment is for a valid purpose.

Town Law Section 118 requires a town board to audit all claims before payment.[5] Auditing and approving claims is an important part of the town board's responsibility to help ensure that tax dollars are spent efficiently, and ensure that all purchases are authorized, adequately supported and proper town expenditures before approving them for payment. This includes ensuring that all claims are effectively audited and paid only after board approval. Town Law Section 119 indicates that after claims have been audited and approved for payment by the town board, the town clerk should provide the approved abstract to the town supervisor to prepare and sign the checks.

The Town's written voucher procedures outline the requirements for processing claims. The procedures require that vouchers are filled out completely, all invoices and supporting documentation are attached and signed/authorized by a Town official, and any vouchers that are not itemized and filled out correctly are held for payment until the Board's next claims audit.

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:

- *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
- *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

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

5 See supra, footnote 3.

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)*,[6] and may have included changes to spelling and grammar. The substance of the content was not changed.

Office of the Supervisor
TOWN OF MONTGOMERY
Carl L. Helstrom Government Center
110 Bracken Road
Montgomery, New York 12549
Tel: (845) 457-2600 Fax: (845) 457-2603

November 18, 2026

The Town of Montgomery is in receipt of the draft audit findings from the OSC. We are in agreement with the findings and have the following response:

During the audit 3 years ago, the Finance department was in constant communication with the auditor, **[redacted]**. She shared some of the irregularities she found in real time and as such, corrections started immediately.

EXCEPTION 1:

"40 disbursements totaling $838,859 were not properly authorized because the Board did not audit them prior to payment."

These payments were done via manual check or via ACH. Manual checks are done when something is time sensitive, and ACH is done when that is the only method of payment available.

RECOMMENDATIONS: (1) Develop and adopt comprehensive written policies and procedures for auditing claims and update the voucher processing procedures to reflect current practices, including the use and approval of manual checks. (3) Discontinue the practice of using manual checks to pay claims and process checks through the Town's financial software. Limit manual checks to infrequent circumstances when necessary and ensure they are processed in accordance with established policies and procedures. (4) Ensure all claims are processed through the financial system, supported by adequate documentation and presented to the Board for audit and approval before payment is made.

CORRECTIVE ACTION PLAN - POLICY/PROCEDURE CHANGE: We have greatly decreased our use of manual checks, as advised by the auditor. We did 25 checks in 2022, 26 in 2023, 14 in 2024, 1 in 2025, and 2 in 2026. A majority of the Board approves every manual check or ACH payment prior to the payment being made. An updated written policy to address our use of manual checks will be completed by the end of the year.

EXCEPTION 2:

"32 disbursements totaling $43,963 did not contain supporting documentation, including receipts and credit card statements, to support the payments."

RECOMMENDATIONS: (2) Conduct a thorough and deliberate audit of claims before payment to ensure

they are adequately supported and for valid Town purposes. (4) Ensure all claims are processed through the financial system, supported by adequate documentation and presented to the Board for audit and approval before payment is made.

CORRECTIVE ACTION PLAN - POLICY/PROCEDURE CHANGE: No vouchers or invoices are processed without supporting documentation or without the department head signature.

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

EXCEPTION 3:

"45 disbursements totaling $34,686 contained transactions totaling $23,166 that did not have documentation identifying whether the payment was for an appropriate Town purpose."

RECOMMENDATIONS: (1) Develop and adopt comprehensive written policies and procedures for auditing claims and update the voucher processing procedures to reflect current practices, including the use and approval of manual checks. (2) Conduct a thorough and deliberate audit of claims before payment to ensure they are adequately supported and for valid Town purposes. (4) Ensure all claims are processed through the financial system, supported by adequate documentation and presented to the Board for audit and approval before payment is made.

CORRECTIVE ACTION PLAN - POLICY/PROCEDURE CHANGE: Similar to above, no vouchers or invoices are processed without supporting documentation that adequately identifies the charge. In addition, the Budget Officer and Supervisor review the vouchers/invoices and will kick back any charges that are not for an appropriate Town purpose. An updated written policy to address our claims audit will be completed by the end of the year.

EXCEPTION 4:

"One disbursement totaling $2,686 was a duplicate payment made to the Town's credit card vendor, as a manual check was previously issued in the same amount to the vendor but was not processed in the financial system, leading to the additional check being issued."

RECOMMENDATIONS: (3) Discontinue the practice of using manual checks to pay claims and process checks through the Town's financial software. Limit manual checks to infrequent circumstances when necessary and ensure they are processed in accordance with established policies and procedures. (4) Ensure all claims are processed through the financial system, supported by adequate documentation and presented to the Board for audit and approval before payment is made.

CORRECTIVE ACTION PLAN - POLICY/PROCEDURE CHANGE: Our credit card is now auto-paid online after Board approval, eliminating the possibility of duplicate checks being issued.

Sincerely,

L. Stephen Brescia
Town Supervisor

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:

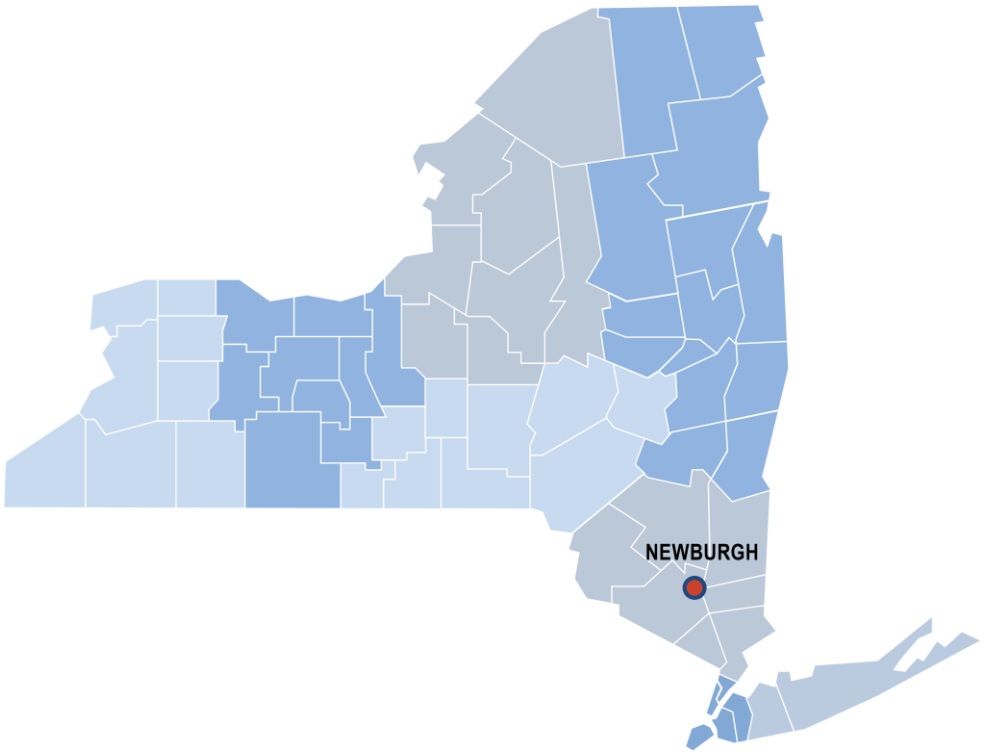
- We interviewed Town officials and reviewed Board meeting minutes, abstracts, claims and bank statements to gain an understanding of the disbursement and claims audit processes and relevant policies and procedures.
- We reviewed Board meeting minutes and monthly claims abstracts for the audit period to determine whether claims for non-payroll disbursements were approved for payment.
- We reviewed all 47 non-payroll disbursements totaling $3.4 million that were issued during the audit period using manual checks to determine whether they contained proper signatures authorizing the expenditure and supporting documentation. We also determined whether these payments were for proper Town purposes and processed through the financial system. We then determined which checks were required to be audited by the Board prior to payment. We reviewed all 39 of the 47 manual checks totaling $839,000 that were required to be audited by the Board prior to payment. We reviewed the claim packets and had discussions with Town officials to determine whether the 39 manual checks were audited by the Board prior to payment.
- We used our professional judgment to select 17 non-payroll disbursements totaling $34,448 out of 3,615 disbursements (not including manual checks, credit card and toll payments) totaling $35.6 million that were processed through the financial system during the audit period. We removed the manual checks, credit cards and toll payments from the population because they were tested separately. We then used a data analysis tool to randomly select 17 disbursements from the remaining population. We reviewed the support for these disbursements to determine whether they were authorized by an appropriate Town official, supported by itemized receipts or invoices, for appropriate Town purposes and were audited and approved by the Board.
- We reviewed claim packets for all 27 Town credit card disbursements totaling $25,916 made during the audit period to determine whether the claims were audited by the Board, supported by itemized receipts or invoices, for appropriate Town purposes, and included late fees and interest paid.
- We reviewed claim packets for all 20 disbursements for tolls totaling $934 made during the audit period to determine whether the claims were approved by the Board and included supporting documentation, toll plaza descriptions and the reason for travel.

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?

NEWBURGH REGIONAL OFFICE
James L. Latainer, Chief of Municipal Audits
33 Airport Center Drive, Suite 102 • New Windsor, New York 12553-4725
Tel (845) 567-0858 • Fax (845) 567-0080
Email: Muni-Newburgh@osc.ny.gov
Serving: Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster, Westchester counties



Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

(518) 474-4044

https://www.osc.ny.gov/

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