

New York State Comptroller
THOMAS P. DiNAPOLI

Village of Rhinebeck

Claims Auditing

May 2026 | 2025M-147

Prepared by the Division of Local Government and School Accountability

Table of Contents

| | |
|--|-----------|
| Audit Results | 1 |
| Claims Auditing: Findings and Recommendations | 3 |
| Finding 1 – The Board did not properly audit non-credit card claims. | 3 |
| Recommendations | 5 |
| Finding 2 – The Board did not properly audit credit card claims. | 5 |
| Recommendations | 6 |
| Appendix A: Profile, Criteria and Resources | 7 |
| Profile | 7 |
| Criteria | 7 |
| Additional Resources | 8 |
| Appendix B: Response From Village Officials | 9 |
| Appendix C: Audit Methodology and Standards | 10 |

Audit Results

Village of Rhinebeck

Audit Objective

Did the Village of Rhinebeck (Village) Board of Trustees (Board) properly audit claims?

Audit Period

June 1, 2023 – September 30, 2024

Understanding the Audit Area

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

The Village's 2024-25 budgeted appropriations totaled approximately \$4.8 million. During the audit period, the Treasurer paid 3,345 claims totaling approximately \$5.3 million.

Audit Summary

The Board did not properly audit all claims before payment. Without a thorough review of all claims to be paid, the Board's ability to effectively monitor Village financial operations is diminished and errors and irregularities may continue to occur and remain undetected and uncorrected. Additionally, there is an increased risk that unsupported payments could continue to be made, and improper or unnecessary payments may not be detected and corrected. Furthermore, without evidence of competition attached to claims, taxpayers have less assurance that purchases were made in the most prudent and economical manner. We reviewed 543 claims totaling \$430,129 which included 124 credit card transactions totaling \$15,517 and determined that the Board did not properly audit 136 claims (25 percent) totaling \$351,321. Specifically, the Board approved:

- 130 non-credit card claims totaling \$264,582 and one credit card transaction totaling \$1,406 without obtaining quotes in accordance with the Village's Board-adopted procurement policy.
- 50 non-credit card claims totaling approximately \$129,223 that were paid by the Treasurer before the Board audited and approved the claims for payment.
- 29 claims totaling \$5,343 without adequate supporting documentation (i.e., original, itemized invoices and/or receipts) indicating that the purchases were for legitimate Village purposes. While further discussion with Village officials and review of additional supporting documentation supported that the claims were for legitimate Village purposes, the Board approved the claims and payment without knowing if the claims were appropriate charges to the Village.
- Six non-credit card claims totaling \$1,056 and two credit card transactions totaling \$204 for purchases of meals for the Village's fire department without adequate supporting documentation to justify the purpose for meals and refreshments.
- Six non-credit card claims and 17 credit card transactions that included sales tax totaling \$354, which the Village was exempt from paying.

The report includes six recommendations that, if implemented, will improve the Village's claims auditing process. Village officials generally agreed with our findings and recommendations and indicated they planned to 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 Village Clerk's (Clerk's) office.

Claims Auditing: Findings and Recommendations

A village board is responsible for overseeing the village’s financial activities and safeguarding its resources. To accomplish this, the village board must ensure 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 village policies (e.g., procurement policy) and that amounts claimed represent actual and necessary village expenditures. Claims with certain characteristics, such as credit card transactions, may have a higher risk of error or fraud. The ease of using credit cards heightens the risk of wasteful or inappropriate purchases, increasing the importance of ensuring claims are supported by all receipts before their approval.

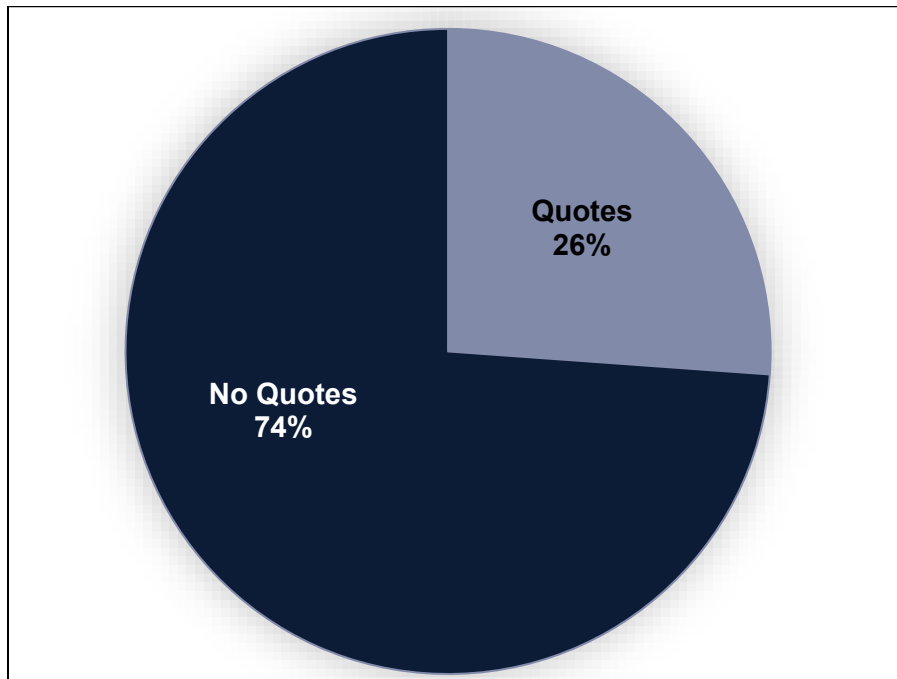
More details on the criteria used in this report, as well as resources we make available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – The Board did not properly audit non-credit card claims.

We reviewed 419 non-credit card claims of the 3,129 claims paid during the audit period, totaling \$414,613, to determine whether the claims were for appropriate Village purposes, adequately supported, and properly audited and approved by the Board before payment. We determined that the Board did not properly audit 200 claims (48 percent) totaling \$399,648.¹

Compliance with Village Procurement Policy – We determined that 176 claims totaling \$379,090 were subject to the Village’s procurement policy and required three written price quotes. The Board approved the payment of 130 of these claims (74 percent) totaling approximately \$264,582 without adequate documentation demonstrating that officials complied with the Village’s procurement policy by obtaining competitive quotes (Figure 1).

Figure 1
Non-Credit Card Claims Reviewed



¹ Some claims had multiple issues and, therefore, are included in multiple categories.

The Mayor told us that quotes were not obtained for some of the purchases because they were related to emergencies or they were monthly recurring charges. However, officials did not provide documentation to support that the purchases were related to emergencies. Additionally, officials were unable to provide supporting documentation showing compliance with the procurement policy on purchases with monthly recurring charges.

Paid Before Audit – The Treasurer paid 50 claims totaling \$129,223 before the Board audited and approved the claims for payment. For example, the Board approved a claim for a water fountain installation totaling \$10,617 that was paid 24 days before audit.

The Mayor explained that most of these payments included invoices that were received and paid before the Board meeting and the end of the fiscal year to ensure payments were recorded in the 2023-24 fiscal year. While 46 of the 50 claims paid before audit were paid in the last month of the 2023-24 fiscal year, these claims could have been recorded as 2023-24 expenditures and paid in the next fiscal year after they were audited by the Board. Additionally, none of the 50 claims we reviewed met the exemptions from the claims audit process listed in New York State Village Law (Village Law) Section 5-524;² therefore, the Board was required to audit the claims before payment.

Inadequate Supporting Documentation – The Board approved the payment of eight claims totaling \$4,593 that did not contain adequate supporting documentation, such as itemized receipts or invoices, to allow for a proper audit or demonstrate that the purchases were for a valid Village purpose. For example, the Board approved a payment to an independent contractor totaling \$1,848 without supporting documentation attached to the claim, such as an invoice with details of services provided by the contractor. The Clerk said that the payment to the independent contractor was for performing job responsibilities for understaffed Village departments. Although the Board did not follow up with department heads requesting original receipts or invoices before approving the claims, we spoke with department heads and obtained additional supporting documentation for each purchase and determined that the goods and services for all eight claims were for an appropriate Village purpose.

Meals and Refreshments – The Board approved six claims totaling \$1,056 for purchases of meals and refreshments for the Village's fire department trainings and seasonal events sponsored by the Village. However, the Board did not adopt a policy to guide officials in determining when it is appropriate to provide meals or refreshments and the supporting documentation required to justify the expense. While the claims generally included a written explanation for the meals, it was not always clear why the meal was an appropriate Village expenditure. In addition, the Fire Chief did not include a list of volunteers that benefited from the meals. For example, the Treasurer reimbursed the Village's fire department for the purchase of food for a holiday celebration totaling \$338, but the support did not indicate who participated in the meal and why it was a necessary Village expense.

Sales Tax Paid – Six claims totaling \$2,982 included \$195 in sales tax that the Board approved for payment even though the Village is generally exempt from paying sales taxes for purchases made in New York State. The Mayor told us that employees made these purchases with their own funds and the Village reimbursed sales taxes paid; however, paying sales tax as a reimbursement is not an appropriate Village expense.

Travel – The Board approved a claim totaling \$1,500 for two-night hotel accommodations for three volunteer firefighters to attend a conference. However, the amount approved did not match the invoice and receipt attached to the claim. Specifically, the invoice and receipt attached to the claim totaled \$1,158 but the firefighters were reimbursed \$500 per person for a total of \$1,500, or \$342 more than the amount per the support. The Fire Chief told us that there was a verbal agreement with the Board and the three volunteer firefighters that the Village would reimburse each volunteer firefighter \$250 per night, totaling \$500 per person, for the hotel stay with no reimbursements for meals. However, this information was not documented on the support attached to the claim.

² A village 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.

Additionally, the Board did not adopt a travel policy to establish reimbursement rates, allowable expenses or required supporting documentation. While the Deputy Clerk provided an approval form confirming the firefighters' attendance at the conference, the form was not provided to the Board for review when it audited and approved the claim for payment. As a result, a portion of the claim totaling \$342 was approved for payment without adequate support.

When officials and employees do not solicit competition as required by Village policy, there is an increased risk that goods and services are not obtained at a favorable cost, free from favoritism and for appropriate purposes. Also, when claims do not contain adequate supporting documentation, there is an increased risk that disbursements could be unnecessary, including payments for sales tax. Additionally, because the Board has not adopted a meals and refreshments policy, officials did not maintain adequate supporting documentation to justify the purpose for meals and refreshments.

Overall, without a thorough review of all claims to be paid, the Board's ability to effectively monitor Village financial operations is diminished and errors and irregularities may continue to occur and remain undetected and uncorrected.

Recommendations

The Board should:

1. Conduct a thorough and deliberate audit of claims before approving payments to ensure that each claim:
 - Complies with Village policies (e.g., procurement policy).
 - Excludes sales tax.
 - Includes adequate supporting documentation, such as itemized receipts and invoices.
2. Develop written policies outlining when it is appropriate to provide meals and refreshments, the documentation necessary to justify the purpose for meals and refreshments, and who authorized and participated in the meal.
3. Develop a comprehensive travel and conference policy establishing the following:
 - Maximum allowances for mileage, meals and lodging.
 - Requirement that all travel and conference expenditures be approved in advance by the Board.
 - Requirement for adequate supporting documentation be attached to travel and conference claims submitted for audit.
 - Requirement for volunteers, employees and officials to submit documentation of attendance and/or completion of any conference or training.

The Treasurer should:

4. Discontinue paying claims before audit unless advanced payment is permissible.

Finding 2 – The Board did not properly audit credit card claims.

Village officials maintained one credit card account with three individual credit cards issued to the Mayor, the Clerk and the Police Officer-In-Charge. During the audit period, 16 credit card statements were issued to the Village totaling \$27,250. We reviewed six credit card statements with 124 transactions totaling \$15,517 and determined that the Board did not properly audit 39 transactions (31 percent) totaling \$4,383.

Inadequate Supporting Documentation – The Board approved credit card claims with 21 transactions (17 percent) totaling \$750 that did not have adequate supporting documentation attached to the claim. These

transactions included a cell phone storage subscription, training and meals during travel. Two transactions totaling \$204 were for meals and refreshments that did not include adequate documentation to support that the meals and refreshments were actual and necessary Village expenses. For example, the Village's fire department purchased meals totaling \$103 for a training event at the Village but did not provide documentation to support the training details and a list of attendees. The Mayor told us that for recurring purchases, a receipt is attached with the first purchase, but he was unsure why the non-recurring purchases did not have supporting documentation attached to the voucher.

Sales Tax Paid – The Board approved the payment of credit card claims that included 17 credit card transactions (14 percent) totaling \$2,227 in which sales tax totaling \$159 was paid. For example, four transactions totaling \$623 from an online shopping vendor included \$47 in sales tax. The Mayor told us that employees made some purchases using personal online vendor accounts and the employees paid sales tax on those purchases. However, had the Board performed a thorough and deliberate review of these claims, it would have noticed the unnecessary tax.

Compliance with Procurement Policy – One transaction of \$1,406 for a tent rental was approved for payment without documentation indicating that officials obtained the required number of quotes. The Clerk told us that there was a miscommunication with the employee that made the purchase and they were unclear about the purchase amount that required quotes.

The Board did not establish policies to ensure credit card claims were properly supported and for appropriate purposes. We determined that the Mayor allowed employees to use his Village credit card while traveling instead of requiring employees to submit receipts for reimbursements upon returning from travel. The Mayor told us that this practice, which relied on verbally agreed-upon dollar amounts, was an oversight that has been discussed and discontinued subsequent to the audit. Because the Board did not establish a policy and officials did not develop procedures for credit card usage or properly audit credit card claims, there was an increased risk that improper payments could have been made and not detected or corrected.

Recommendations

The Board should:

5. Establish a formal credit card policy, which details authorized use, approval process, documentation requirements, receipt verification and relevant reimbursement processes.
6. Conduct a thorough and deliberate audit of credit card claims before approving payments to ensure that each claim:
 - Complies with Village policies (e.g., procurement policy).
 - Excludes sales tax.
 - Includes adequate supporting documentation, such as itemized receipts and invoices for credit card purchases.

Appendix A: Profile, Criteria and Resources

Profile

The Village is located in Dutchess County and is governed by the elected five-member Board composed of the Mayor and four Board Trustees. The Board is responsible for the general management and control of Village finances and operations. The Mayor is the chief executive officer. The Village's fiscal year runs from June 1 through May 31.

The Treasurer is responsible for the Village's day-to-day financial activities, which include paying claims. The Deputy Clerk prepares the claims packages and presents the claims packages to the Board for audit and approval.

The Village's 2024-25 budgeted appropriations totaled approximately \$4.8 million. During the audit period, the Treasurer paid 3,345 claims totaling approximately \$5.3 million.

Criteria

Village Law Section 5-524 generally requires a village board to audit all claims against a village before payment is made. To enable a village board to adequately perform this audit, each claim must contain enough supporting documentation for the board to make these determinations. For example, itemized invoices, packing slips and receipts should be included with the claim detailing exactly what goods and services were received.

Unless an exception applies, Village Law Section 5-524 requires a village board to audit all claims before payment. For example, a village 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, Village Law Section 5-524 provides an exception to the claims audit process for fixed salaries, principal and interest on debt and lawful contracts exceeding one year.

A proper claims audit ensures every claim, including claims for credit card purchases, is subjected to an independent, thorough and deliberate review to determine that each claim is properly supported by itemized receipts or invoices which are mathematically correct, are approved by the proper department head and that the goods and services were received and for a legitimate village purpose. The village board should also ensure sales tax is not charged, as a village is generally exempt from paying sales tax. Once a village board has determined that the claim satisfies these conditions, it then can approve the claim for payment.

The Village's Board-adopted procurement policy requires all goods and services not subject to competitive bidding be secured using written requests for proposals, written quotations or any other method that ensures goods will be purchased at the lowest price and by avoiding favoritism. The procurement policy requires three written quotes for purchase contracts of \$1,000 to \$19,999.

A credit card policy should address the specific circumstances under which officials and employees may use credit cards, including who is authorized to use them, any required prior approvals, applicable dollar limits, the types of expenses for which they may be used (e.g., travel expenses) and the documentation required to support the claims submitted for audit. The policy should also establish procedures to monitor credit card use to assess the reasonableness of the nature and number of charges and to promote accountability and responsibility by outlining risks, such as liability for damage, loss, and/or improper use.

New York State General Municipal Law Sections 72-g and 77-b authorize a village to pay for actual and necessary expenses for travel expenses incurred for attendance at conferences, conventions or schools by

authorized officials, including members and employees. The village board must authorize attendance at training held outside the county by the village board by resolution before such attendance, and must record the authorization in the board's meeting minutes. The village board should adopt and enforce formal policies that establish clear and specific guidelines for conference and convention attendance and associated costs to minimize the risk of excessive expenditure of public funds. As a best practice, the village board should require individuals who attend conferences and conventions to attach proof of attendance to their travel expenditure reports before reimbursements are made.

In addition, a village board should establish and follow a separate policy for in-house training and holiday events that include reasonable dollar limits for expenses, such as meals and refreshments, to ensure responsible use of village funds.

Additional Resources

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

- *Travel and Conference Expense Management*: <https://www.osc.ny.gov/files/local-government/publications/pdf/travel-and-conference-expense-management.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>
- *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 Village Officials

The content below is a reproduced copy of the original response letter issued by Village officials and is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,³ and may have included changes to spelling and grammar. The substance of the content was not changed.

VILLAGE OF RHINEBECK

May 7, 2026

Chief of Municipal Audits
Newburgh Regional Office
Local Government and School Accountability

Dear Mr. Latainer,

We are in receipt of your draft findings of the claims audit report for the period 6/1/23 - 9/30/24 and have reviewed your findings and suggested recommendations. We appreciate your efforts in working with the Village to help us improve our process and will be addressing each with changes or amendments to our policies and/or procedures.

Sincerely,

Gary Bassett
Mayor
Village of Rhinebeck

³ <https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule>

Appendix C: Audit Methodology and Standards

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 Village officials, including the Mayor, Trustees, the Deputy Clerk and department heads and reviewed Board meeting minutes to gain an understanding of the Village's process to prepare, approve, audit and pay claims.
- We reviewed Board meeting minutes to identify relevant purchasing decisions, including purchases made using quotes, and to determine whether the Board approved purchases.
- We identified 3,345 claims paid during the audit period totaling \$5.3 million, including 3,129 non-credit card claims totaling \$5.2 million and 216 credit card claims totaling \$27,250. We used our professional judgment to select 419 non-credit card claims totaling approximately \$414,613 paid in three months during the audit period to capture different times of the year and months with a significant amount of claims, including the beginning of fiscal year (June 2023), the month with the second highest number of claims and paid during the holidays (December 2023), and the month with most claims paid and the end of the fiscal year (May 2024). Our sample included 176 individual and aggregate claims subject to competitive bidding, which totaled approximately \$379,090. The remaining 243 claims were selected based on vendor name, payment type, and dollar amount. We then traced these payments to the claim package documentation and abstracts (if applicable) to determine whether all claims were approved, adequately supported, for proper Village purposes, procured in accordance with the Village's procurement policy and sales tax was not paid.
- We used our professional judgment to select 124 of the 216 credit card transactions totaling \$15,517. Specifically, we selected all transactions on six out of 16 monthly statements issued to the Village during the audit period to review purchases made using the Village credit cards. We selected a sample of six months which represented 40 percent of the total population of disbursements paid to the credit card provider during the audit period and covered the months with the largest amount paid to the credit card. The months selected included July 2023, October 2023, November 2023, December 2023, February 2024 and May 2024. We then traced the transactions to claim packages to determine whether all purchases were approved, adequately supported, for proper Village purposes, procured in accordance with the Village procurement policy and sales tax was not paid.
- We reviewed all 46 claims paid to officials and employees during the audit period totaling \$6,357. We then traced these payments to claim packages to determine whether all purchases were approved, adequately supported, and for proper Village purposes, procured in accordance with Village procurement policy and included sales tax.

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.

Questions?

NEWBURGH REGIONAL OFFICE

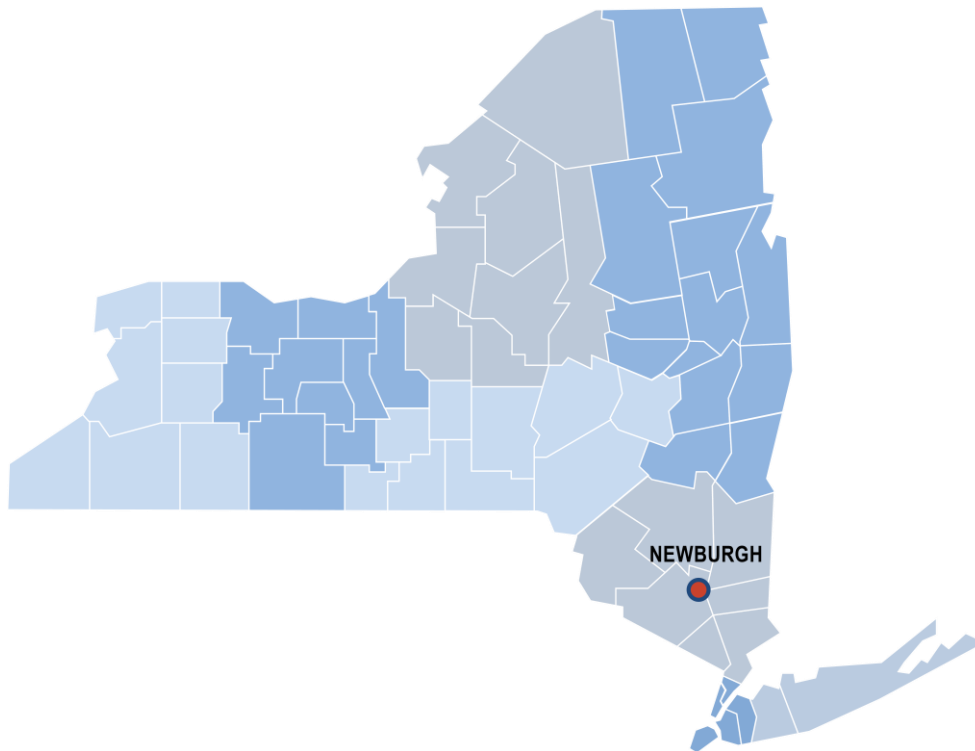
James L. Latainer, Chief of Municipal Audits

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

www.osc.ny.gov

Prepared by the Division of Local Government and School Accountability

 FOLLOW US: osc.ny.gov/subscribe