

# Madison County

## Claims Audit and Payment Process

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JANUARY 2020

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Madison County

### Audit Objective

Determine whether internal controls over the claims audit and payment process were adequately designed and operating effectively.

### Key Findings

- The Board of Supervisors (Board) and the Board of Health (BOH) did not audit their respective claims before payment.
- Our review of 382 claims totaling \$3.5 million disclosed that 121 claims totaling \$752,749 lacked adequate support or documentation showing receipt of goods or services. In addition, claims totaling \$1.3 million were paid without Board approval.
- The Treasurer did not control the check signing process for computer generated checks and allowed a credit card vendor to directly withdraw \$1.9 million in monthly payments from a County bank account.

### Key Recommendations

- Ensure all claims are audited and approved prior to payment when required by law.
- Ensure all claims contain sufficient detail and supporting documentation prior to approval.
- Ensure the Treasurer controls her signature when it is applied to checks.
- Discontinue allowing the credit card vendor to directly withdraw funds from County bank accounts.

County officials disagreed with certain aspects of our findings and recommendations, but indicated they have initiated or planned to initiate corrective action. Appendix B includes our comments on issues raised in the County's response letter.

### Background

Madison County (County) is located in central New York State and encompasses 15 towns, nine villages and a city. The County is governed by the Board of Supervisors composed of 19 members, one of whom serves as the Chair. The BOH is composed of nine members appointed by the Board.

The Director of Finance oversees the accounting, payroll, and financial reporting functions. The elected County Treasurer (Treasurer) is the chief fiscal officer and custodian of funds.

#### Quick Facts

Population	73,442
2018 Appropriations	\$115 million
Claims Paid During Audit Period <sup>a</sup>	\$147 million

a Our audit excluded public assistance disbursements processed by the County's Department of Social Services, which were not within the scope of our audit.

### Audit Period

January 1, 2017 – September 30, 2018

# Claims Audit and Payment Process

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## How Should a County Process Claims?

To ensure that tax dollars are spent efficiently and in accordance with established policies and procedures, a thorough, deliberate and independent audit of claims<sup>1</sup> should be conducted before payments are authorized. New York State County Law (County Law) generally requires the governing board to audit all claims before they are paid.<sup>2</sup> However, the governing board may, by resolution, authorize payment in advance of audit of claims for public utility services, postage, freight, and express charges. These claims should be audited as soon as possible after payment and be included on the next abstract (list of claims) as prepaid amounts.

In accordance with County Law,<sup>3</sup> the governing board may choose to delegate its responsibility for auditing claims and establish the office of county auditor or the office of county comptroller, which can be an effective approach to ensure a thorough and deliberate audit process. Additionally, in counties that do not have a county auditor or county comptroller, the board of health is responsible for auditing and approving county health district claims.<sup>4</sup>

As part of the claims audit process, the governing board, board of health or designated official should ensure the claims are properly itemized and contain adequate supporting documentation (e.g., invoices or receipts) showing that the county received the goods or services described in each claim, comply with statutory requirements and county policies and are for valid purposes.

The treasurer is the custodian of county money.<sup>5</sup> When checks are printed with the county treasurer's electronic signature, the treasurer must ensure that the signature is protected from unauthorized use and directly supervise the check signing process or institute sufficient review procedures. For example, an employee supervised by the treasurer could compare prepared checks to an audited and approved abstract before releasing such checks for payment.

The county cannot delegate the custody and disbursement of county funds or assign this responsibility to a credit card vendor. When using credit cards, the same controls should generally apply as when preparing a check and credit card vendors should not be allowed to withdraw funds directly from a county bank account.

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1 A claim is generally a demand presented for the payment of money due for goods that have been delivered or services that have been provided.

2 New York State County Law (County Law), Section 369

3 County Law, Sections 575, 577 and 600

4 New York State Public Health Law (Public Health Law), Section 346.

5 County Law, Section 550

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## The County Claims Audit Process Was Inadequate

The Board had not established the office of county comptroller or county auditor and therefore was responsible for auditing and approving claims before payment, with the exceptions of health district claims, which must be audited and approved by the BOH. However, neither the Board nor the BOH examined the related claims before approving them for payment.

Staff from various departments enter invoices and scan claims packages (including invoices and other supporting documentation) into the computerized financial software system.<sup>6</sup> An accountant in the finance and payroll office (finance office) reviews claim packages and supporting documentation for purchase or credit card transactions when the transactions are processed.

The Board's confidential secretary (secretary) told us that she reviews claims to ensure they contain adequate support. However, the secretary did not review all claims paid during our audit period. Although the secretary is notified by the financial system when a claim is ready for review, the claims are sometimes unavailable in the system for her review if checks are printed before she reviews them. Officials told us that the system was set up in this manner to ensure that the payment process was not slowed down. Further, records were not maintained to show which claims the secretary reviewed and approved during our audit period.

Each month, the Board and the BOH received a list of claims, which they authorized and approved for payment by resolution without ever reviewing the individual claims listed. Without examining each claim and the supporting documentation, neither the Board nor the BOH had sufficient information to determine whether claims were for proper purposes. Instead, the Board and the BOH relied on other staff to review the claims. Members of both boards told us that if they have questions regarding a claim, they would ask but they generally approved the list of claims provided without supplementary documentation.

In addition, an accountant in the finance office processed claims and printed computer generated checks, on an as-needed basis (about twice a week), that were outside of the regular monthly check runs and not included in the list of claims provided to the Board for review and approval.<sup>7</sup> These payments totaled about \$24.3 million during our audit period.

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6 For credit card transactions, department staff scan receipts and invoices to a shared drive and an accountant in the finance office imports the information and images into the accounting system.

7 The Public Health Director provided the BOH with a list of health district prepaid claims and credit card transactions.

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However, many of these payments were for purposes not allowed by law to be paid before the Board's approval (i.e., utilities, postage, freight and express charges). While some payments were made to take advantage of vendor discounts, officials also made payments for things such as insurance premiums, host community benefits, construction and renovations, and real property and vehicle purchases.

Further, the Board did not receive a list of claims paid by credit cards, which totaled about \$1.9 million during our audit period. Lists of prepaid claims and credit card transactions were included in monthly reports given to each committee chair for their respective departments but the related claims were not audited by the Board. In addition, officials paid claims totaling about \$2.8 million by issuing handwritten checks that were not included in the reports given to the Board or committee chairs for review and approval. These payments included grants and loan payments totaling nearly \$500,000.

In November 2018 (during our audit fieldwork), the Board passed a resolution authorizing payment in advance of audit for public utility services, postage freight and other charges including training/conference registration, wire transfers, payments to vendors who provide a discount for early payment, and several other specific vendors. However, other than public utility services, postage and freight charges, these payments are not permitted by law, and should be audited and approved before payment. Because officials lacked an effective claims auditing process, all paid claims are not subjected to a deliberate and thorough audit.

### **Officials Paid Claims Without Sufficient Documentation and Board Approval**

We reviewed 382 claims totaling approximately \$3.5 million to determine whether payments were adequately supported and for appropriate purposes.<sup>8</sup> We found that 136 claims totaling \$1.3 million were paid without Board approval, and another 121 claims (32 percent) totaling \$752,749 lacked adequate support or documentation.

- Adequate support was not included with 16 claims totaling \$198,392 to allow for a proper claims audit. For example, some claims were supported by a claim voucher requesting payment without detail or further explanation. Other claims lacked any support and were issued for escrow payments to a State agency and payments for health services. Based on our discussions with County officials and review of supplemental supporting documentation provided by officials, these disbursements were for appropriate purposes.

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<sup>8</sup> Refer to Appendix C for information on our sampling methodology.

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- Documentation was not maintained to show that goods were received or services were rendered for 104 claims totaling \$553,657. For example, there was no documentation of receipt for items such as laptops, a camera, pressure washer and tires.
  - We question whether one claim totaling \$700 was an appropriate expenditure. The Sheriff's department purchased 14 gift cards from a uniform vendor to be provided to department employees as recognition. However, this practice does not follow the County's employee recognition policy. The County Administrator told us he was unaware of this practice and that it would be discontinued.

When there is not a thorough, deliberate, and independent audit of claims, there is an increased risk that unauthorized, improper or fraudulent claims could be paid or that the County could pay for goods or services that have not actually been received.

In October 2018 (during our audit fieldwork), the Board passed a resolution designating the secretary as the claims auditor.<sup>9</sup> The new process required the secretary to electronically sign off on claims in the system, to document her audit and approval. In addition, she provides a report to the Board indicating she has audited and approved the attached claims.

As part of this process, the Board and BOH are still approving lists of claims at monthly meetings. When a claims auditing official has been designated, the governing board generally no longer performs the claims audit and approval function.

### **The Treasurer Did Not Control Her Electronic Signature**

Although the Treasurer is the custodian of County funds, she did not maintain custody of her electronic signature or directly supervise its use on computer-generated checks.<sup>10</sup> In February 2018, the Board established the position of Director of Finance and created the finance office to perform accounting, payroll and financial reporting functions. The Treasurer authorized finance office staff to use her electronic signature for properly approved disbursements and to transfer funds between bank accounts.

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9 The duties assigned to the claims auditor are very similar to those of a county auditor.

10 The Treasurer or Deputy Treasurer signs handwritten checks.

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An accountant in the finance office who processed accounts payable and recorded transactions also applied the Treasurer's electronic signature to checks without any involvement from the Treasurer. Although another accountant in the finance office approved the release of the checks in the system, there was no review of individual check payments or verification that the related claims had been authorized for payment by the Board (when required).<sup>11</sup>

Ideally, officials should segregate the incompatible duties of cash custody and disbursement of funds from the recording and reporting of the related transactions. By delegating the check-signing duties to the finance office without retaining oversight controls, officials have diminished an important control designed to help ensure that funds are properly expended. Also, the Treasurer does not supervise finance office staff and therefore does not control the disbursement of funds, which is one of the Treasurer's duties as the chief fiscal officer and custodian of County funds.

After the Board appointed the secretary as claims auditor in October 2018, the secretary began signing a statement, after her audit and the Board's approval of claims, authorizing the finance office to make payment.

In addition, officials allowed a credit card vendor to electronically withdraw payments directly from the bank account each month without the Treasurer's involvement. During our audit period, the vendor initiated withdrawals totaling about \$1.9 million. A finance office accountant told us that the bank sends invoices to the County indicating the amount withdrawn and that she verifies it agrees with her reconciliation of credit card transactions.

There is no authority for a third-party to directly access County funds. Allowing such access to the bank account places cash at unnecessary risk of loss or misappropriation.

## **What Do We Recommend?**

The Board should:

1. Ensure that claims authorized to be paid prior to audit are consistent with County Law, and that they are audited as soon as possible after payment and included on the next abstract as prepaid amounts.

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<sup>11</sup> During our audit period, the BOH provided a certification with its monthly report to the finance office, stating it approved the claims and authorized payment of the claims.

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The Board, BOH and County officials should:

2. Ensure all claims are audited and approved prior to payment when required by law.
3. Establish procedures to verify claims have been authorized for payment before checks are printed.

The claims auditor should:

4. Ensure all claims contain sufficient detail and supporting documentation prior to approving them for payment.

The Treasurer should:

5. Ensure her signature is protected and controlled from unauthorized use by overseeing the check-signing process or instituting sufficient review procedures.
6. Discontinue allowing the credit card vendor access to withdraw funds from County bank accounts.

# Appendix A: Response From County Officials



## MADISON COUNTY BOARD OF SUPERVISORS

**JOHN M. BECKER**  
*Chairman*  
**MARK SCIMONE**  
*County Administrator*  
**CINDY URTZ**  
*Clerk*

**138 N. Court St., PO Box 635**  
**Wampsville, NY 13163**  
**Phone: 315/366-2201**  
**Fax: 315/366-2502**

December 20, 2019

Rebecca Wilcox, Chief Examiner  
Office of the State Comptroller  
State Office Building, Room 409  
333 East Washington Street  
Syracuse, New York 13202-1428

Dear Ms. Wilcox:

Madison County received notice of risk assessment of internal controls from the NYS Comptroller's Office on July 27, 2018. Over the next five months, auditors from the State thoroughly reviewed all County operations including areas such as Purchasing, Finance and Accounting, Information Technology, Treasurer's Office, Sheriff's Office, Board of Supervisors and multiple other County Departments.

As a follow-up to their comprehensive review, the Comptroller's Office focused on two areas to formally audit in February 2019. The first subject of this audit included the Board of Supervisors Claims Auditing process, and the second was the County lease of court space in the City of Oneida. To date, the County has not received an audit report regarding the leasing of court space in the City of Oneida. Per the Comptroller's office, the audit is currently in "legal review".

An important and notable absence from the comprehensive risk assessment of Madison County Operations is the failure to note any areas of strength in their report. It is unfortunate that the Comptroller's Office focuses and reports on the corrective aspects of their findings and does not review positive findings with the public. As an example, it was noted by the auditors while onsite that the County Purchasing Office did an excellent job ensuring compliance with purchasing laws and policy requirements and that the Finance Office had excellent internal controls in place. The public is entitled to know the complete picture on how their government is working and all findings, both positive and negative.

See  
Note 1  
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The main crux of the Claims Audit and Payment Process audit is that the Board of Supervisors and Board of Health did not audit their respective claims for payment. The Comptroller's Office notes in their report "In accordance with County Law, the governing board may choose to delegate its responsibility for auditing claims and establish the office of county auditor or the office of county comptroller, which can be an effective approach to ensure a thorough and deliberate audit process. Additionally, in counties that do not have a county auditor or county comptroller, the Board of Health is responsible for auditing and approving county health district claims." However, also noted in a State Comptroller's Opinion, but not in the Comptroller's Audit report, "the Board of Supervisors of a county may adopt its own procedures for the audit and approval of claims, but in no instance may a board delegate its audit function to a committee of the board." 1983 *Ops St Comp No. 83-144 at 2*.

The Board of Supervisors has consistently designated staff to review claims for the Board of Supervisors and the Board of Health. The Confidential Secretary to the Board has continuously held this responsibility since 1993. Prior to 1993, the Clerk of the Board, when she began employment in 1976, was trained on auditing of claims for the Board of Supervisors. She knows that this practice existed at the time of her hiring in 1976, but there was no official action taken by the Board on record. As stated in the audit report, once it was noted official action was never taken, the Board subsequently appointed the Confidential Secretary to the Board as the Claims Auditor. The Comptroller's Office did not deem the Board's appointment as acceptable because it was not establishing an office of County Comptroller or County Auditor. However, the Board of Supervisors believes that the appointment is sufficient, relying on the Comptroller's Opinion stated above, which endorses the Board establishing its own procedure. In addition to staff designated to audit the claims, the Confidential Secretary provides the full Board of Supervisors with a listing of the claims, including the vendor name, a description, and the amount, which they regularly review and formally approve at their monthly Board meetings.

See  
Note 2  
Page 14

See  
Note 3  
Page 14

It is important to note the level of complexity in County government is substantially higher than at a town or village level. County services range from providing mental health services, social services, patient care, jail operations, probation, and many other disciplines. Due to that complexity, delegation of the claims audit function to a full-time, professional staff, trained to perform this function, was surely less likely to put the County at risk than asking individual members of the Board of Supervisors to audit about 500 claims per month.

While the process was in need of some adjustment, it was noted in the report that the Comptroller's Office found no fraudulent or inappropriate changes were approved by the County. The excellent record by the County is a result of a high level of responsibility and care by the staff, who are diligent in the completion of their work. It is a team effort and claims are scrutinized from entry at the department level, to review in the Purchasing Office, the Finance Office and up to the Claims Auditor. In addition to the assignment of claims auditing to the Confidential Secretary to the Board, corrective action was taken immediately to ensure the Secretary reviewed all claims. While some claims were noted by the auditors to have been paid before Board approval, the Board did approve payment of those claims via resolution prior to actual payment. For example, the Comptroller's report specifically notes that the host community benefit payments were inappropriately made prior to Board approval. These payments represent the County sharing the majority of its host community benefit revenue from the Yellow Brick Road Casino with its towns, villages and the City of Oneida. The Board of Supervisors formally approved a Resolution authorizing these payments, which included a listing

See  
Note 4  
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of the allocations to each town, village and city, prior to the issuance of payments. However, because this information was not included on their listing of claims for payment until the subsequent Board meeting, the Comptroller's office included this as a negative finding in their report.

In order to improve efficiency and ensure compliance, additional staff was added to the Finance Office in April 2019 and a succession plan to transition County Audit functions to the Finance Office was put in place upon recommendation of the County Administrator. In June 2019, the County created a County Auditor position, which assigned audit responsibility and the ability designate staff to the Finance Director. The Confidential Secretary to the Board transitioned her audit function to the County Auditor and retired in October 2019. All audit functions now reside under the County Auditor in the Finance Office. It was determined now that the Finance Office had been in place for over a year, the responsibility for County audit functions fits better there than with the Confidential Secretary of the Board of Supervisors.

The report also noted that a few claims did not have the appropriate supporting documentation with each respective claim. While the Claims Auditor did not have the required backup paperwork prior, since it was not in the ██████ financial system, the backup documents did exist and had already been reviewed on multiple levels. For example, a packing slip may not have been attached in the ██████ financial system, but was instead reviewed and retained at the department level. As noted in the report, after the auditors reviewed the provided documents, all disbursements were for appropriate purposes. Regardless, this was rectified immediately upon review with the auditors while they were onsite. The County developed a checklist based on auditor's recommendations for the Confidential Secretary/Claims Auditor to utilize to ensure all needed documentation was reviewed at her level going forward.

Additionally, the auditors noted their issue with the credit card vendor directly withdrawing funds from a County bank account. This is in respect to our purchasing card program endorsed by the New York State Association of Counties (NYSAC) and used by multiple counties throughout New York State. This program allows the County to obtain rebates for County purchases. To date, the County has received almost \$50,000 in rebates as a source of revenue to offset real property tax increases. The amount of these cash rebates will only increase as more vendors begin to accept this payment method. The bank utilized for this program requires its customers to allow the withdrawal of funds in the amount of the monthly statement. County employees monitor the amount of these monthly withdrawals to ensure the bank has withdrawn the correct amount. There have been no issues with the amount of the withdrawals since the County's implementation of the purchase card program in 2015. If the bank withdrew more than authorized, then they would be subject to criminal prosecution for grand larceny. Regardless, we are working with NYSAC and the bank to see if a better process can be established.

In conclusion, the Board of Supervisors believes the claims auditing process that has been in place for many decades was both legal and effective, and has worked well as evidenced by the fact that the auditors found no fraudulent claims in their very lengthy audit review. 1983 *Ops St Comp No. 83-144 at 2*. The County agreed the process needed adjusting to ensure the Claims Auditor reviewed all claims and had appropriate documentation to review, despite the multi-level review that already takes place. The County Auditor position was ultimately established due to succession planning and the County's desire to follow best practices. Overall, given the wide-ranging obligations the County fulfills and exceeds on a day-to-day basis, the Board of

See Note 5 Page 14
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Supervisors believe that the report erroneously focused on the few, minor negative issues while overall County operations were compliant with law and the Comptroller's best practices.

See Note 6 Page 14
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Very truly yours,

~~John~~ M. Becker, Chairman  
Madison County Board of Supervisors



## MADISON COUNTY TREASURER'S OFFICE

CINDY J. EDICK, TREASURER

REBECCA S. MARSALA – DEPUTY, DELINQUENT TAX ENFORCEMENT  
& DIRECTOR OF REAL PROPERTY TAX SERVICES  
KARIN D. RICHMOND – DEPUTY DIRECTOR, REAL PROPERTY TAX SERVICES

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December 30, 2019

Rebecca Wilcox, Chief Examiner  
Office of the State Comptroller  
State Office Building, Room 409  
333 East Washington Street  
Syracuse, New York 13202-1428

Dear Ms. Wilcox:

This is in response to your draft audit report entitled, "Madison County Claims Audit and Payment Process." This letter will only address the findings and recommendations relative to the Treasurer, as the County's response to the remaining items have been addressed by Chairman Becker.

The draft audit report finds that I did not control the check signing process for computer generated checks and recommends I control my signature when it is applied to checks.

As stated in the report, the Board created a Finance Office in 2018 to perform accounting and financial reporting functions for the County. These functions were previously performed in my office. As part of the segregation of these offices, my oversight of the accounting staff was removed, and my remaining staff and I no longer had any involvement with the processing of claims for payment. This included the application of my electronic signature, which is in the form of a flash drive, and stored in the Finance Office vault along with the County's check stock.

The Board's authority to remove the accounting and financial reporting functions from my office was supported by a 2006 decision relative to Beverly Shields, County Treasurer v. County of Delaware (Shields v. County of Delaware, 35 A.D.3d 1001). It is my understanding that the facts and circumstances of the Delaware County matter were nearly identical to those occurring in Madison County, and I further believed that the Delaware County Treasurer was forced to relinquish her signature as part of the transfer of duties to their newly created Department of Fiscal Affairs.

At the time of this delegation of multiple duties out of my office, it was difficult to find a viable solution to control my electronic signature. I was removed from all aspects of processing claims for payment, half of my staff was transferred to the Finance Office, I had no physical access to the printers used for check signing, and no right of entry to the vault containing the flash drive with my signature and check stock. I also did not believe bringing litigation would have resulted in my favor, due to the aforementioned decision in the Delaware County matter. As was the case in Delaware County, all procedures previously followed, leading up to the application of the signature, remained intact.

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During the course of your audit, the Finance Office determined there was a way to include me and my Deputy Treasurer as final approvers of vendor payments in the financial management system. This new process was implemented in February 2019, and either the Deputy Treasurer or I personally review every single one of the thousands of vendor payments made through the financial management system before my electronic signature is applied to the checks.

I believe this new process protects my electronic signature from potential unauthorized use, and am hopeful this will satisfy your recommendation. The Deputy Treasurer and I will continue to manually sign checks issued outside of the main check runs as needed. We will also continue to be the final approvers for electronic payments, such as wire transfers and ACH transfers. As part of our internal controls, neither the Deputy Treasurer nor I have ever had stamps of our signatures.

The draft audit report finds that officials allowed a credit card vendor to electronically withdraw payments directly from a bank account each month without my involvement.

This finding relates to a purchasing card (p-card) program implemented by the County with the primary objective of maximizing cash rebates. These rebates help to offset the burden on real property taxpayers. The County selected a p-card program that was endorsed by the New York State Association of Counties, and was already being utilized, with much success, by another New York State county.

Since implementation of the program in 2015, the purchasing card vendor has required payments be made via ACH withdrawal. These withdrawals were originated by the purchasing card vendor, and were closely monitored by County employees. There have been no issues with the amount of the withdrawals to date. County officials have been working with the purchasing card liaison, and we will be transitioning to electronic payments being originated by the County, as opposed to the purchasing card vendor, beginning in January 2020.

Once the new method of paying the purchasing card vendor begins, this should fulfil your recommendation. The County will continue to employ existing features and procedures to protect bank accounts from fraud and errors, to include Positive Pay, ACH Debit Block, and timely bank account reconciliations.

Thank you for this opportunity to review and improve our procedures in these areas. My office appreciates the professionalism and courtesy exhibited by your staff throughout the audit.

Sincerely,

Cindy J. Edick  
Madison County Treasurer

## Appendix B: OSC Comments on the Board's Response

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### Note 1

We performed an initial assessment of internal controls so that we could design our audit to focus on those areas most at risk. We did not test controls in areas not selected for audit. Therefore, we cannot report on their effectiveness.

### Note 2

Our audit period covered January 1, 2017 through September 30, 2018.

### Note 3

The Comptroller's opinion states, in part, that a county may adopt its own procedures for the audit and approval of claims. However, this opinion does not indicate that a board can take actions that are inconsistent with the law. Although the law provides that the Board may delegate its responsibility to a County Auditor or County Comptroller, our audit did not focus on the formality of establishing the position, rather it focused on weak controls.

Our audit found that the Board, BOH or the confidential secretary did not audit all claims before payment, as required. We acknowledged that the confidential secretary audited some claims, but she did not audit all claims and did not maintain any record to show which claims she audited and approved. While the Board and BOH approved lists of claims for routine payments, payments totaling \$24.3 million were not approved by the Board.

### Note 4

This is not one of the exceptions of claims that are permissible to be paid before audit.

### Note 5

The process that has been in place has not been consistent with the law, which allows the Board to delegate its responsibility to a County Auditor or County Comptroller.

### Note 6

Our report is factually correct in pointing out the weaknesses identified in the County's internal controls.

## Appendix C: Audit Methodology and Standards

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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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed County officials and employees to gain an understanding of the claims payment process and reviewed relevant policies.
- We analyzed the payments made during our audit period (i.e., computer-generated checks, credit card transactions, handwritten checks and withdrawals) to assess what types of payment were included in each category and whether they required Board audit. We compared the transactions to the abstracts and invoice lists to determine how many claims were paid outside of the regular monthly check runs and which claims were subject to audit.
- We identified 27,728 claims paid during our audit period totaling \$144.5 million.<sup>12</sup> We sorted the claims and removed all claims that were less than \$250 and selected a random sample of 300 of the remaining claims (totaling \$2.7 million).
- We tested the 300 previously selected payments to determine whether the related claim was audited and approved by the Board or BOH. We examined the claims to determine whether they had invoices and/or supporting documentation attached that were sufficiently detailed to identify the specific goods/services purchased and the County purpose. We also determined whether claims were mathematically correct, had evidence of departmental approval and documentation that the goods or services were received.
- We used our professional judgment to select 70 high-risk transactions totaling \$337,096 from the total \$144.5 million in paid claims. We selected these transactions because they posed a higher risk for inappropriate expenditures. These claims included payments to Board members or other officials, large dollar purchases, unrecognized vendors, credit card payments and purchases from vendors that could be unrelated to operations.
- We used our professional judgment to select an additional 12 high-risk claims, totaling \$523,895, because they were paid by handwritten checks from 678 handwritten checks totaling approximately \$79.1 million.<sup>13</sup>
- We quantified all payments that the credit card vendor automatically withdrew from the County's bank account during our audit period.

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<sup>12</sup> We excluded handwritten checks, which were tested separately, and public assistance disbursements processed by the County's Department of Social Services that were not within the scope of our audit.

<sup>13</sup> \$76.2 million of these handwritten checks were to transfer funds among County bank accounts and were not subject to claims audit and approval.

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We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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