

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Town of Rensselaerville

Claims Auditing

Report of Examination

Period Covered:

January 1, 2015 — May 31, 2016

2016M-244



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2016

Dear Local Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Rensselaerville, entitled Claims Auditing. This audit was conducted 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.

This audit's results are a resource for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Rensselaerville (Town) is located in Albany County and has a population of approximately 1,850 residents. The Town provides various services to its residents including road maintenance, snow removal, water and sewer. The Town's budgeted appropriations for 2016 are approximately \$2.5 million, funded primarily by real property taxes and sales tax.

The Town is governed by an elected five-member Town Board (Board), which is composed of four Board members and a Supervisor. The Board is responsible for overseeing Town operations and finances and for overall management, which includes auditing claims. The Supervisor serves as chief executive officer and chief fiscal officer.

Objective

The objective of our audit was to review the claims audit process. Our audit addressed the following related question:

- Did the Board ensure that claims were properly audited, adequately supported and for legitimate Town purposes?

Scope and Methodology

We examined the Town's claims audit process for the period January 1, 2015 through May 31, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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 size of the relevant population and the sample selected for examination.

Comments of Local Officials

The results of our audit have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our report.

Claims Auditing

With few exceptions, New York State Town Law requires the Board to audit and approve all claims before the Supervisor can disburse payments.¹ An effective claims audit should be deliberate and thorough, ensure that each claim contains sufficient supporting documentation and ensure that the amounts claimed represent proper Town expenditures.

The Board established an effective claims auditing process to ensure that claims were properly audited before payment and supported by adequate documentation, that the goods and services were received and that the claims were for proper Town purposes. Before the Board meetings, department heads approve the claim vouchers, which are submitted to the Supervisor's clerk who prepares the claims using supporting documentation provided by the vendors, including voucher forms, invoices and shipping documents.

The clerk ensures that the claims are mathematically correct, assigns each a number and prepares an abstract of claims listing all claims being presented to the Board, which includes information related to each claim (vendor name, amount claimed, account expenditure code and claim number). All claims are then submitted to the Board for its review. The Board audits and signs each individual claim indicating approval for payment. After the Board approves the claims and certifies that the abstract is correct, the claims are submitted to the Supervisor for payment. After the Supervisor signs the checks, the checks, vouchers and abstract are given to the Deputy Town Clerk who records the paid claim information on an internal tracking spreadsheet, prepares and mails the checks and files the paid abstract with the claims. The Town Clerk then records the paid abstract information in the Board minutes.

We reviewed 49 claims totaling \$334,406,² of the 1,252 paid claims totaling approximately \$2.8 million paid during our audit period, to determine if they were audited and approved by the Board before payment, contained adequate supporting documentation and were for proper Town purposes. We also traced each claim to the corresponding canceled check image shown on the bank statements. We then reviewed 20 canceled check images for 23 claims totaling \$135,704 by tracing them to the associated claims to determine if

¹ The Board may, by resolution, authorize payment in advance of audit of claims for public utility services, postage, freight and express charges. Such claims must be presented for audit at the next Board meeting.

² See Appendix B for additional information on our sample selection process.

they were approved by the Board before payment, contained adequate supporting documentation and were for proper Town purposes. Except for minor issues which we discussed with Town officials, we found these claims were audited and approved by the Board before payment, contained adequate supporting documentation and were for proper Town purposes.

We commend Town officials for establishing and implementing appropriate procedures for auditing claims.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

Town Clerk/Tax Collector
Victoria Kraker

Town Council
Marion Cooke
John Dolce
Margaret Sedlmeir
Gerald Wood

Building Inspector/CEO
Mark Overbaugh

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Assessors
Donna Kropp
Jeffrey Pine
Kathryn Wank

Town Justices
Ronald J. Bates
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September 28, 2016

Jeffrey P. Leonard, Chief Examiner
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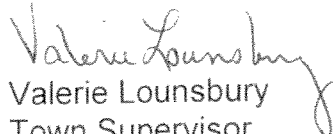
Dear Sir:

In response to the draft audit report for the Town of Rensselaerville we would like to thank the Office of the State Comptroller's auditors for their review. The auditor who completed the review was very professional and thorough.

Minor issues the auditor found and discussed with myself and the staff were very helpful and we appreciate his suggestions and will be using them in an effort to improve wherever we can.

Thank you for your review and valuable input. It was a positive learning experience which will benefit the Town of Rensselaerville.

Sincerely,


Valerie Lounsbury
Town Supervisor

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USDA, Director, Office of Civil Rights, Washington, DC 20250-9410

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Town officials and employees and reviewed Town policies and Board minutes to gain an understanding of the claims auditing process.
- We judgmentally selected 49 claims from the certified abstracts of audited claims during our audit period based on attributes such as dollar amount and vendor name. We tested these claims to determine if they were audited before payment, adequately supported and for legitimate Town purposes. We also traced each claim to the bank statements.
- We judgmentally selected 20 canceled check images from the bank statements, based on attributes such as dollar amount and vendor name and traced them to the associated claims to determine if they were properly audited, placed on a certified abstract, adequately supported and for legitimate Town purposes.

We conducted this performance audit in accordance with 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.

APPENDIX C

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Tracey Hitchen Boyd, Assistant Comptroller

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