



# Town of Harpersfield

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## Claims Auditing

2024M-71 | August 2024

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# Report Highlights

## Audit Objective

Determine whether the Town of Harpersfield (Town) Town Board (Board) properly audited claims.

## Key Findings

The Board did not properly audit claims to determine whether the claims represented actual and necessary expenditures and whether proposed payments were for valid purposes.

Of the 428 claims totaling \$478,628 that were paid during the audit period, we reviewed 124 claims totaling \$400,604 and determined that:

- The Board did not properly audit individual claim packets and supporting documentation (e.g., invoices and receipts). Rather, the Board reviewed only an abstract of unaudited claims each month and approved the abstracts for payment. However, the abstracts did not contain sufficient details or itemization for the Board to make the necessary determinations required for a proper claims audit.
- 30 claims totaling \$69,281 were improperly paid before Board approval.
- 22 claims were paid that included sales tax totaling \$460.

Without a proper claims audit, the Town has an increased risk that it could make improper payments.

## Recommendations

The audit report includes six recommendations, which, if implemented, will improve the Town's claims audit process.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

## Audit Period

January 1, 2023 – January 31, 2024

## Background

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

The Supervisor serves as the Town's chief fiscal officer and is responsible for the Town's day-to-day operations.

The Town Highway Superintendent (Superintendent) is responsible for overseeing all highway department operations.

The Town Clerk (Clerk) is responsible for collecting claims from the Supervisor and Superintendent and providing an abstract (list of claims) to the Board at its monthly Board meetings.

### Quick Facts

#### During our Audit Period

# of Claims	428
Total \$ Amount of Claims	\$478,628
Total \$ Amount of Claims Reviewed	\$400,604

# Claims Auditing

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## What Is a Proper Claims Audit?

A proper claims audit determines whether amounts claimed represent actual and necessary expenditures and proposed payments are for valid purposes. Generally, New York State Town Law Section 118 requires a town board (board) to audit claims against the town before disbursing payments. A board's audit responsibilities include determining, among other things, that a claim:

- Is for a valid and legal purpose
- Is mathematically correct
- Is sufficiently itemized
- Does not include sales tax
- Is supported by sufficient documentation, such as detailed receipts, invoices and receiving documentation.

According to Town Law Section 118, a board also may, by resolution, authorize payment for public utility services, postage, freight and express charges before the claims are audited. The claims for these payments must be presented at the next regular board meeting to be audited.

The Board adopted a resolution twice (in January 2023 and January 2024) that allows officials to pay claims before they are audited by the Board if the claims are due to be paid before the monthly Board meeting. The resolutions also state that these claims must be audited by the Board at the next regular meeting. However, this resolution allows officials to prepay claims that the Town is not authorized to pay before they are audited.

## The Board Did Not Properly Audit Claims

Although the Supervisor and Superintendent generally prepared claims with sufficient documentation available to review, the Board did not properly audit individual claim packets and supporting documentation (e.g., invoices and receipts). Rather, the Board reviewed only an abstract of unaudited claims each month and approved the abstracts for payment. But, the abstracts did not contain sufficient details or itemization for the Board to make necessary determinations required for a proper claims audit.

We reviewed 124 claims<sup>1</sup> totaling \$400,604, which included 20 credit card claims totaling \$11,510. We verified that all credit card claims packets contained vendor receipts and invoices with adequate descriptions for us to determine whether the

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<sup>1</sup> Refer to Appendix B for further information on our sample selection.

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purchases were for proper Town purposes. We also verified that six equipment purchases totaling \$5,287 were located on Town premises.

While all claims were mathematically accurate, sufficiently itemized, properly supported and for appropriate Town purposes, officials improperly paid certain claims before presenting them to the Board for audit. Furthermore, the Supervisor paid certain claims that included sales tax.

Claims Paid Prior to Board Approval – The Town’s prepayment resolution inappropriately allowed officials to pay any claims before the Board audited them as long as their payment due date conflicted with the Board’s monthly meeting dates.

The Supervisor improperly paid 30 claims totaling \$69,281 before the Board approved them for payment. Of these claims, 15 totaling \$53,776 were paid before they were audited because the Clerk did not prepare an abstract in time for the February 2023 Board meeting. The Board subsequently approved the abstract in March 2023, after the checks had been mailed and cashed.

Of the 30 claims, another 12 were credit card claims totaling \$5,994. Four of these claims included \$191 in late fees and interest. The Supervisor told us that she began paying credit card claims before obtaining Board approval to avoid late fees and interest charges, because the Town’s credit card payment due date conflicted with Board meeting dates. We confirmed that paying the credit card bill before the Board audited the related claims prevented the Town from incurring late fees and interest charges. However, before our audit began, the Supervisor contacted the credit card company to change the due date so that credit card bills could be paid in a timely manner, after the Board approved the related claims.

The remaining three of the 30 claims were for engineering services (\$4,510), legal services (\$2,506) and diesel fuel (\$2,495). The Supervisor paid these claims before they were audited because the Board-adopted resolution allowed it. Because credit card and other claims were paid before being audited, the Town has an increased risk that it could make inaccurate or improper payments for goods and services.

Sales Tax Improperly Paid – The Supervisor improperly paid 22 claims that included sales tax totaling \$460. The Supervisor told us she was unaware that the Town should not pay sales tax. The Supervisor also said she would ensure that future claims do not include sales tax.

We provided the Board with OSC’s publication, *Improving the Effectiveness of Your Claims Auditing Process*,<sup>2</sup> for further guidance on claims auditing.

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<sup>2</sup> <https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

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## What Do We Recommend?

The Board should:

1. Conduct a thorough and deliberate audit of each claim presented for payment.
2. Modify the prepayment resolution so that it includes only prepayments allowed by law.
3. Ensure that the Town does not incur late fees and interest charges for its credit card charges.
4. Ensure that the Town does not pay sales tax.

The Supervisor should:

5. Discontinue paying claims before they are audited, unless paying for certain goods and services that can be prepaid before audit, as allowed by law.

The Clerk should:

6. Prepare and submit abstracts to the Board in a timely manner.

# Appendix A: Response From Town Officials

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Town of Harpersfield  
Delaware County  
25399 State Hwy 23  
Harpersfield, NY 13786  
607-652-5060

Office of the State Comptroller  
Attn: Ann C. Singer  
Chief of Municipal Audits

August 6, 2024

Unit Name: Town Of Harpersfield  
Audit Report Title: Claims Auditing  
Audit Report number: 2024M-71

Dear Ann,

The Town Board of Harpersfield, including the Town Clerk, has reviewed the claims found in the audit and determined that this is a fair assessment. Due to some of our members being new to their positions we did not completely understand the full process for these audits. The auditors from the State Comptrollers Office were fair and very helpful in providing us with information on the changes that are required. All our members strive to follow the correct way to conduct business and will be happy to make the changes required.

The following are our corrective actions to each of the items.

The Board should:

1. Conduct a thorough and deliberate audit of each claim presented for payment.
  - a. The Town Board will be reviewing the vouchers right before or at the meeting. We have already implemented the review at our meetings. The vouchers are brought to the meeting and handed out and circulated to each board member for review. The Supervisor, Town Clerk and Highway Superintendent answer any questions the Board Members have on any of the vouchers.
2. Modify the prepayment resolution so that it includes only prepayments allowed by law.
  - a. The prepayment motion was modified on May 8, 2024:

At the May 8, 2024 regular Town Board meeting the Town Board amended the following motion "A motion that the necessary bills be paid when due (Electric, Telephone, Fuel, Transfer Station, The Daily Star, Ace Hardware, Tractor Supply, Power Plan etc.) and audited by the Board at the next regular meeting..." to " A motion that the necessary bills be paid when due (Electric, Telephone, Fuel and Health Insurance), and audited by the Board at the next regular meeting was made by Patrick F. Funk seconded by Donna Vansickell. All voting Aye."

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- b. Health insurance is a payroll payment and next year it will not see stated in the resolution.
  3. Ensure that the Town does not incur late fees and interest charges for its credit card charges.
    - a. When the new Supervisor came in, a new credit card was applied for since it has the name of the town but is under the Supervisor's credit. When this credit card was received the payment due date was not aligned with the Town Board meeting. The Supervisor called the credit card and requested this due date be changed to later in the month to have Town Board approval prior to paying but within the due date to not incur late fees. The due date will be reviewed by the Town Board while review of the vouchers is occurring.
  4. Ensure that the Town does not pay sales tax.
    - a. Most of the sales tax paid was from items ordered on [REDACTED]. The Supervisor opened an [REDACTED] business account which has no sales tax included. Any other vendors that were charging sales tax have been contacted and we have been provided the information required to eliminate sales tax. The Town Board, Supervisor, Town Clerk and Highway Superintendent will review all vouchers to confirm no sales tax will be paid in the future.

The Supervisor should:

5. Discontinue paying claims before they are audited, unless paying for certain goods and services that can be prepaid before audit, as allowed by law.
  - a. The resolution has been amended as to the bills that are allowed to be paid by law (as of May 8, 2024) and referred to when bills come in for payment out of the Town Board approval cycle.

The Clerk should:

6. Prepare and submit abstracts to the Board in a timely manner.
  - a. The Supervisor has moved to [REDACTED] which allows for the payment of bills within that system. Once the bills are entered the abstract will be printed from the system for the Town Board meeting. Prior to this, it was manually entered into an old computer which was not efficient.

Kind Regards,

Lisa M Driscoll  
Town Supervisor of Harpersfield



## Appendix B: 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. 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 officials, including a Board member, the Supervisor, Superintendent and the Clerk, and reviewed Board meeting minutes to gain an understanding of the Town's claims audit process.
- From a total population of 428 claims totaling \$478,628, we used our professional judgment to select 124 claims totaling \$400,604. We chose to include in our sample all general and highway fund claims greater than \$1,000, all credit card claims, all general fund claims paid to employees of more than \$100 and all highway fund claims paid to employees of more than \$500. We reviewed these claims to determine whether they were: properly supported, authorized and approved; mathematically correct; for an appropriate Town purpose; and audited and approved before payment or allowed to be paid before the Board audited them.
- From our claims review, we used our professional judgment to select six pieces of equipment to determine whether they were located on Town property. We chose to locate this equipment because it could be used for personal purposes.

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 size of the relevant population and the sample selected for examination.

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 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 C: Resources and Services

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## Contact

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