



Town of Pitcairn

Claims Auditing

2024M-69 | September 2024

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Report Highlights

Town of Pitcairn

Audit Objective

Determine whether the Town of Pitcairn (Town) Town Board (Board) properly audited claims prior to payment.

Key Findings

The Board did not properly audit all claims prior to payment. Of 173 claims we reviewed totaling \$620,325, 96 claims totaling \$207,884 had one or more exceptions.

- 46 claims totaling \$38,138 were paid without evidence of an audit and 26 claims totaling \$15,593 did not include adequate supporting documentation. This increased the risk that claims could have been paid for inappropriate purposes.
- 24 claims for diesel fuel totaling \$66,516 and one paving claim totaling \$99,691 were approved by the Board without evidence that competition was sought. Competition or the use of State contract could have saved money. For example, a State diesel fuel contract could have saved the Town about \$3,000 on these purchases.
- The Board improperly donated \$1,500 to a volunteer group and paid utility bills totaling \$811 for a private organization.

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 indicated they plan to initiate corrective action.

Audit Period

January 1, 2022 – January 4, 2024

Background

The Town, located in St. Lawrence County (County), is governed by an elected five-member Board including the Town Supervisor (Supervisor). The Board is responsible for the general oversight of Town operations and finances, including auditing claims.

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

The elected Town Clerk is responsible for preparing and certifying an abstract of audited claims. The Supervisor prepares the checks after the Board approves the abstract for payment. During our audit period, there was a significant turnover in the Supervisor position, with four separate Supervisors in office over a two-year period.

Quick Facts

Claims Processed	
January 1, 2022 – December 13, 2023	
Number of Claims	797
Total Amount	\$1,369,025
Claims Reviewed	
Number of Claims	173
Total Amount	\$620,325

Claims Auditing

What Is an Effective Claims Audit Process?

An effective claims audit process ensures:

- Compliance with New York State Town Law Section 118 that generally requires a town board to audit all claims before payment.
- Compliance with New York State General Municipal Law Section 103 that generally requires competitive bidding for purchase contracts exceeding \$20,000, with certain exceptions. In lieu of seeking competitive bids, towns are also authorized to make purchases using other publicly awarded government contracts, such as those of a county, or New York State Office of General Services (OGS). To determine whether competitive bidding is necessary, town officials must consider whether the aggregate cost of a good or service within a 12-month period will exceed the competitive bidding threshold.
- Compliance with a town's procurement policy that outlines the purchasing process for goods and services not required by law to be bid. The Town's policy requires that goods and services not subject to competitive bidding be secured using written requests for proposals and written quotations, depending on dollar amounts.
- That every claim against a town is subjected to an independent, thorough and deliberate review,
- That each claim contains enough supporting documentation to determine whether it complies with statutory requirements and town policies (e.g., procurement policy), and
- That the amounts claimed represent appropriate town expenditures.

In addition, a board should not approve any claim that provides a gift or donation to a private entity in violation of the New York State Constitution.¹ Officials should ensure payments to a private entity are based on a contractual obligation or statutory requirement. For example, a board may approve a payment to an entity for goods or services provided to a town. Under such circumstances, officials should maintain supporting documentation that those payments are for a proper municipal purpose.

¹ Article VIII, Section 1 of the New York State Constitution generally prohibits local governments from making gifts or loans of money or property to or in aid of any individual, or private corporation, association or undertaking.

The Board Did Not Properly Audit All Claims

We reviewed 173 claims totaling \$620,325 to determine whether they had adequate supporting documentation, were for appropriate Town purposes, and were audited and approved by the Board. We included claims subject to competitive bidding requirements, and the Town's procurement policy thresholds to determine whether the Board ensured compliance prior to approving the claims.

Of the 173 claims reviewed, 96 claims totaling \$207,884 had one or more exceptions. We determined that some claims were paid without evidence of audit and approval by the Board and some claims lacked adequate supporting documentation that was needed to ensure the proposed payments were for valid purposes. Also, the Board did not ensure competitive bidding requirements were followed to help ensure that goods and services were procured in the most economical manner and in the taxpayers' best interest. Unless stated otherwise, we were able to determine that the claims we tested were for appropriate purposes by reviewing supporting documentation and from discussions with Town officials.² Specifically, we identified the following exceptions:

Unaudited Claims – We determined that 46 claims (27 percent) totaling \$38,138 were paid without evidence of audit. For example, they included nine credit card claims totaling \$6,233, five claims totaling \$13,601 for employee health insurance and two payments totaling \$3,000 for recreational programs. The Town Clerk told us credit card claims were not part of the routine claims process because due dates for the credit card statement and payment did not provide adequate time in relation to Board meetings for the statement to be received, audited and paid by the due date without incurring late charges. Credit card claims should be subject to the same claims audit process as other claims to ensure there is no opportunity for fraud or inappropriate expenditure of public funds. Officials or Town staff should contact the Town's credit card company to adjust the statement due dates to better align the due date with Board meeting dates. Town officials did not provide reasonable explanations for why the other claims were not audited by the Board.

Unsupported Claims – We determined that 26 claims (15 percent) totaling \$15,593 did not include adequate supporting documentation, such as invoices or receipts detailing the items purchased and prices charged. For example, seven claims totaling \$4,027 were paid to a credit card company and did not have any supporting documentation on file. Officials were able to obtain copies of credit card statements from the vendor for our review during fieldwork and we determined these charges were for appropriate Town purposes.

² See Appendix B for our audit testing methodology.

In addition, two claims totaling \$3,000 for recreational programs and two claims totaling \$1,000 for membership in the local government association had claim forms on file, but no other supporting documentation such as itemized invoices or agreements specifying the goods or services provided. During our audit, we identified that the Town erroneously made a \$500 duplicate payment to the local government association for one of the claims that was not supported by documentation. The Town Clerk has indicated they are working towards obtaining credit for this duplicate payment.

Competitive Bidding and Procurement Policy Compliance – Out of the 173 claims in our sample, we reviewed 30 claims (17 percent) totaling \$486,581 that required quotes or bidding to determine whether the Board ensured compliance with competitive bidding requirements and the Town’s procurement policy requirements for obtaining written quotes. We aggregated diesel fuel purchases for each calendar year (24 claims, 14 percent) totaling \$66,516 for this review. The Town paid a total of \$33,279 for diesel fuel in 2022 and \$33,237 in 2023 (through December 13, 2023). While Town officials utilized county or OGS contracts for some of the purchases tested, they did not solicit bids or use other competitive methods for purchasing cold mix for paving Town roads and diesel fuel. The Town made two purchases (on one claim) totaling \$99,691 for paving materials during 2023 from a vendor that held a county contract; however, the materials purchased were not the same as those covered by the county contract. Therefore, the Town was required to solicit competitive bids or purchase the materials using other publicly awarded government contracts. We had no exceptions with the remaining five claims.

The Highway Superintendent told us he believed the Town was purchasing diesel fuel from an OGS contracted vendor; however, that vendor had not been on an OGS contract since August 2018. To obtain OGS contract pricing, Town officials would need to submit the Town’s necessary fuel requirements for the upcoming contract period to OGS, prior to awarding such contracts, or reach an agreement with the OGS contract vendor.

We compared the invoice prices the Town paid for diesel fuel purchases with the prices available from the OGS contracts and determined the Town could have saved approximately \$3,000 (4 percent) on diesel fuel if officials used an OGS contracted vendor.

Gift of Public Funds – In March 2022, the Board passed a resolution to “transfer” a land parcel consisting of an athletic field owned by a private entity to the Town to be used for a community youth baseball program (program). The Town took ownership of the land in February 2024.

The Board, by resolution, in March 2022 also created a committee, consisting of volunteers who were charged with the “decision making and maintenance” of

the program and athletic field. The members of this committee are also affiliated with the 501(c)(3) nonprofit organization that administers the program. As such, the nonprofit organization collects revenues through player registration fees, fundraisers, donations, concession sales and sponsorships. The Town did not enter into a written contractual agreement for the nonprofit organization to oversee the program.

In April 2022, the Board passed a resolution to donate \$1,500 to the program. The Town paid the donation to the nonprofit organization that oversees the program. The Town Clerk, who is also a member of the committee, told us this is an annual donation that the Town provides to the nonprofit organization to “use as it sees fit.” While the Board may appoint a committee to assist the Board with decision making and operating a recreation program under the Town’s supervision and control, in the absence of a statutory or contractual obligation, there is no authority for the Board to donate Town funds to a private entity.

The Board’s April 2022 resolution also approved transferring the cost of electrical utilities at the athletic field from the private entity that owned the field to the Town. From April 2022 through November 2023, the Town paid all (20) electrical utility claims for the athletic field, totaling \$811. However, as indicated above, the Town did not take ownership of the property until February 2024. In addition, the Town did not enter into a written contract with the private entity to specify what services or other consideration the Town would receive in return for paying the private entity’s utility bills. As such, the Town should not have paid for utilities for property the Town did not own.

Town officials told us that they made the utility payments because they were in the process of taking over the athletic program and fields. However, as noted, absent ownership of the property itself, or a statutory or contractual obligation, municipalities are generally prohibited from giving money to private entities.

What Do We Recommend?

The Board should:

1. Conduct a thorough and deliberate audit of all claims prior to approving them for payment. Such an audit should ensure that all claims:
 - a. Contain sufficient supporting documentation such as itemized invoices or receipts,
 - b. Proof of competitive procurement if needed, and
 - c. Are for legitimate and necessary Town expenditures.

-
2. Ensure the Town does not provide contributions or donations of public money to private entities or pay private entities' expenses without a contract specifying what services the Town is to receive in return.

The Supervisor should:

3. Only pay claims that have been audited and approved by the Board, unless otherwise provided by law.
4. Contact the credit card company to request a change in the billing period and payment due date to better align with the Board's monthly meetings.
5. Ensure the Town receives credit for the \$500 duplicate payment.

The Highway Superintendent should:

6. Ensure purchases on OGS or county contracts are for products offered on the contracts and from vendors that were awarded the contracts.

Appendix A: Response From Town Officials

TOWN OF PITCAIRN

Town Hall & Garage

10 Edwards Rd
Phone 315-543-2111
Fax 315-543-9577

<u>Town Council</u>	<u>Supervisor</u>	<u>Town Clerk</u>	<u>Hwy. Superintendent</u>
Paul Jackson	Allison Houghton	Chelsea L. Thomas	Jerry McIntosh
Ann Hall	10 Edwards Rd	10 Edwards Rd	10 Edwards Rd
David Sullivan	Harrisville, NY 13648	Harrisville, NY 13648	Harrisville, NY 13648
Dora McIntosh	315-543-2111 Ext 13	315-543-2111 Ext 11	315-543-2111 Ext 22
	Fax 315-543-9577	Fax 315-543-7723	Fax 315-543-9577

Office of the State Comptroller;

After reviewing the preliminary draft report related to the recent audit of the Town of Pitcairn, we have concluded to agree with the findings.

We will be creating a Corrective Action Plan together while addressing sufficient ways of supporting itemized invoice, making sure the town is not providing contributions of donations of public money to private entities, and ensuring purchases on OGS or county contracts are for products offered on the contracts from venders that are awarded the contracts.

Sincerely,

Allison Houghton
Pitcairn Town Supervisor
10 Edwards Rd
Harrisville, NY 13648
Office: 315-543-2111 x3
Fax: 315-543-9577

Appendix B: Audit Methodology and Standards

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 Town officials and reviewed Board meeting minutes to gain an understanding of the claims audit process.
- We used our professional judgment to select a sample of two months of claims activity for the general and highway funds. This sample included 59 claims, totaling \$198,320. We selected July 2022 and August 2023 because the Town typically pays higher claims during summer months for highway repairs and improvements. We also used our professional judgment to select a sample of 114 claims totaling \$422,005 paid from January 1, 2022 through December 13, 2023 for review. Our selection included:
 - Claims that posed a higher risk for inappropriate Town expenditures, including payments to Board members or other officials, unrecognized vendor names, and purchases from vendors that were potentially unrelated to Town operations,
 - All credit card claims,
 - Claims that were not reflected on abstracts in 2023 (based on gaps in approved voucher numbers),
 - Claims for utilities on property the Town did not own, and
 - Claims for purchases that exceeded the threshold for competitive bidding or that required written quotes per the Town's procurement policy. We aggregated diesel fuel purchases for the 2022 and 2023 calendar years to determine whether the purchases exceeded the competitive bidding threshold and compared diesel fuel purchases to OGS contract prices to determine any potential cost savings for the Town.
- For the samples of claims selected, we reviewed abstracts and the claim packet (bills, invoices and supporting documentation) to determine whether claims were properly audited prior to payment, supported with documentation and for appropriate Town purposes. We requested additional supporting information and interviewed Town officials to help determine the appropriateness of certain claims. Also, our sample included certain claims paid with funds received by the Town under the U.S. Department of Treasury (Treasury) American Rescue Plan Act (ARPA). It was not within the scope of our audit to determine whether the Town followed the guidelines prescribed by the Treasury on the use of these funds.

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 Town 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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: Muni-Syracuse@osc.ny.gov

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