



Village of Skaneateles

Claims Auditing

2024M-68 | September 2024

Contents

- Report Highlights 1**

- Claims Auditing 2**
 - What is a Proper Claims Audit? 2
 - Claims Were Not Properly Audited. 2
 - What Do We Recommend? 4

- Appendix A – Response From Village Officials 6**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services. 9**

Report Highlights

Village of Skaneateles

Audit Objective

Determine whether Village of Skaneateles (Village) claims were adequately supported, appropriate and properly audited and approved prior to payment.

Key Findings

While the claims we reviewed were for appropriate Village expenditures, the Village Board (Board) did not audit all claims before payment. Additionally, some claims were not adequately supported or were paid without approval.

Of the 348 claims we reviewed totaling approximately \$2 million, 206 claims totaling about \$1.3 million had one or more exceptions.

- The Board did not audit 93 claims totaling approximately \$618,000.
- Seven claims totaling approximately \$356,000 were not competitively procured, as required by New York State General Municipal Law (GML) Section 103 and the Village's procurement policy.
- 36 claims totaling approximately \$171,000 were approved by department heads after the claims were paid and five paid claims (\$6,800) were not approved by department heads.
- 23 claims totaling approximately \$112,000 lacked adequate supporting documentation (i.e., original, itemized invoices and/or receipts).

When claims are not properly audited, paid without approval, or not properly supported to meet the competitive procurement requirements, it increases the risk that improper or inaccurate payments could be made and goods or services may not be procured in the taxpayers' best interest.

Recommendations

The audit report includes five recommendations that, if implemented, will improve the Village's claims auditing practices.

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

Audit Period

June 1, 2022 – March 28, 2024

Background

The Village is located in the Town of Skaneateles in Onondaga County and is governed by the elected five-member Board, composed of the Mayor and four Trustees.

The Board is responsible for the general oversight of Village operations, including auditing and approving claims for payment. The Mayor, as the Village's chief executive officer, is responsible for managing the Village's day-to-day operations under the Board's direction.

The Treasurer is responsible for the Village's day-to-day financial activities, which include paying claims. The current Treasurer has served in the position since July 2023. An office clerk enters claims into the accounting system, prepares the claims packages and abstracts (i.e., listing of audited claims) and presents the claims packages to the Board for audit and approval.

Quick Facts

Claims Processed June 1, 2022 – January 11, 2024

Number	2,907
Dollar Amount	\$8.5 million

Claims Tested

Number	348
Dollar Amount	\$2 million

Claims Auditing

What is a Proper Claims Audit?

A proper claims audit determines whether the claim complies with village policies and legal requirements, the amount claimed was for goods and services actually received, and the proposed payment is for a valid purpose. New York State Village Law Section 5-524 generally requires the village board to audit all claims against a village before payment is made.¹ To enable the 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 to detail exactly what goods and services were received, and quotations or bid documentation should be attached when competitive purchasing is required.

GML Section 103 generally requires competitive bidding for purchase contracts exceeding \$20,000, with certain exceptions. The Village's procurement policy requires that goods and services not subject to competitive bidding or other exceptions be secured using written requests for proposals, written quotations or verbal quotations, depending on dollar amounts.

After a village board has completed its audit of claims, the village clerk is required to sign the abstract (i.e., listing of audited claims) directing the treasurer to pay the approved claims.

Claims Were Not Properly Audited

We reviewed 348 claims totaling approximately \$2 million and determined that 206 claims (59 percent) totaling about \$1.3 million were not properly audited.² The Board did not audit all claims and it approved payment for claims that were not in compliance with competitive procurement requirements, not approved by the department heads, without adequate supporting documentation and that included sales tax. We were able to determine that the claims that did not have adequate support attached were for legitimate Village purposes by reviewing other available supporting documentation and discussing certain purchases with department heads (clerk/administrator, code enforcement officer, director of municipal operations, fire chief, police chief). Examples of exceptions found during our review of claims include the following:

- 93 claims totaling approximately \$618,000 were not audited and approved by the Board. These payments included approximately \$593,000 for health insurance (81 claims), \$13,500 for third-party staffing services, \$10,200 for

¹ A board may, by resolution, authorize payment for public utility services, postage, freight and express charges in advance of audit. All such claims must be presented at the next regular board meeting for audit.

² See Appendix B for our audit testing methodology.

capital projects expenditures and \$1,740 for cleaning services. This occurred because the office clerk did not present these claims to the Board for audit and the prior and current Treasurers paid the claims even though they were not included on approved abstracts.

- Seven claims totaling approximately \$356,000 lacked evidence that officials solicited competitive bids as required by GML Section 103 or obtained written quotes as required by the Village's procurement policy. For example, Village officials did not seek competition for the purchase of a vacuum truck costing \$328,000.³
- 36 claims totaling approximately \$171,000 were not reviewed and approved by the department head under which the purchase was made until after the Board audited the claims and payment was made. In addition, five claims totaling about \$6,800 were not approved by a department head at all. This is particularly important because Board members told us that they relied on department heads' approvals to help them know whether to approve the claims.
- 23 claims totaling approximately \$112,000 lacked sufficient documentation such as original invoices, receipts, or other support that would allow the Board to verify the purchases were for a valid purpose and that the goods or services were rendered or received.
 - Ten payments totaling \$86,357 were made from a statement that did not detail what the purchase was for, eight of which included \$37,436 in prior balances carried forward. For example, \$31,472 for an electric fund power purchase, \$5,200 for legal fees and \$597 for waste management were balances carried forward on the statements. Without the original invoice including an itemization of the charges and past due amounts, officials cannot be sure the amounts are appropriate.
 - One claim totaling \$16,148 for drainage work was approved without an itemized invoice. Officials were later able to provide us with the invoice. However, the Board audited and approved the payment without sufficient support.
 - Twelve employee travel reimbursements totaling \$9,553 were paid from hotel confirmations or screenshots of order summaries, rather than actual receipts. For example, we found two instances of employee reimbursements for hotels paid prior to the stay taking place. The Board and Village officials did not require the employees to provide receipts after their stays to verify the employees incurred the expenditures.

3 Four claims were for the vacuum truck to split the cost among Village funds (general, electric, water, sewer).

Other reimbursement payments were made after the travel occurred but likewise did not include receipts. When original documentation such as invoices or receipts is missing, the claim should be held until supporting documentation is submitted.

- 13 claims included sales tax totaling \$585 that the Village was exempt from paying.

The Mayor and three Trustees told us they were under the impression that the department heads were reviewing each claim sufficiently before they were presented to the Board. As a result, Board members would only perform cursory reviews to get a sense of where Village money was going and to review any claims that stood out from routine transactions. However, as described previously, we observed 41 claims in our sample that were approved by the Board without the department head's review and approval. In addition, the audit and approval of claims is an important part of the Board's responsibility to oversee Village expenditures. If done properly, it provides an important internal control that segregates two key functions – management's purchase of goods and services and the authorization of payments for those goods and services.

Paying claims without conducting a thorough audit to ensure claims were appropriate, properly supported, and compliant with statutory and policy requirements for competitive procurement, increases the risk that improper or inaccurate payments could be made or goods or services may not be procured in the most economical manner and in the taxpayers' best interest. We provided officials with claims and procurement guidance available in our publications titled *Improving the Effectiveness of Your Claims Auditing Process*⁴ and *Seeking Competition in Procurement*.⁵

What Do We Recommend?

The Board should:

1. Conduct a thorough and deliberate audit of each claim including verifying that the purchase was authorized and approved by the department head, is adequately supported, meets the legal and policy requirements relating to competitive procurement and excludes sales tax charges.
2. Ensure officials and employees procure goods and services in accordance with competitive bidding requirements and the Village's procurement policy.

4 <https://www.osc.ny.gov/local-government/publications/claims-auditing-process>

5 <https://www.osc.ny.gov/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf>

Village officials should:

3. Ensure all claims contain adequate supporting documentation and are presented to the Board for audit prior to payment.
4. Comply with competitive bidding requirements and obtain written quotations when required by the Village's procurement policy.

The Treasurer should:

5. Only pay claims that are listed on an approved abstract unless advance payment of the claim is permitted by law.

Appendix A: Response From Village Officials



VILLAGE *of*
SKANEATELES

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Skaneateles, NY 13152
villageofskaneateles.com
315-685-3440

Syracuse Regional Office
Chief of Municipal Audits
State Office Building, Room 409
333 East Washington Street
Syracuse, NY 13202-1428

August 22, 2024

Re: Claims Auditing Report of Examination 2024M-68

Chief of Municipal Audits:

The Village of Skaneateles has received the audit report from the Office of the State Comptroller for the period between 6/1/2022 and 3/28/2024. Please accept this letter as the response to the audit report.


On behalf of the Village Board, I would like to thank the OSC audit staff for their professionalism and consideration of our office operations and staff while they were conducting the audit. They were courteous and always willing to answer questions and explain their process.

The Village is pleased that the audit resulted in no findings of a material wrongdoing. We appreciate your acknowledgement that while we need to improve our procedures and processes for auditing expenses, the expenses that were reviewed were appropriate Village expenses.

As a result of the exit interview, we've already implemented changes to address identified problems and we will continue to work through your recommendations. For example, since the audit, health insurance has been reviewed each month. The roster provided by the insurance company has been cross-checked against the Village's internal roster for accuracy.

We acknowledge your recommendations and are committed to improving our claims auditing process.

Sincerely,

Mary Sennett | 
Mayor

Cc: Village Board of Trustees
Jordan Pavlus, Village Attorney
Laurie Walter, Administrator/Clerk
Carrie Hanno, Treasurer

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 Village officials, including the Mayor, Trustees, the current Treasurer and department heads and reviewed Board meeting minutes to gain an understanding of the Village's process to prepare, approve, audit and pay claims.
- From a population of 2,907 non-payroll disbursements totaling approximately \$8.5 million, we selected a sample of 348 claims (12 percent) totaling approximately \$2 million for audit testing. We utilized a random number generator to select one abstract from each fiscal year amounting to 134 claims totaling \$494,463. We reviewed disbursement activity to select additional payments that posed a higher risk for improper purchases such as unknown vendors, charges from vendors that sell goods that could be purchased for personal use, and payments to staff and key officials. We also reviewed all abstracts and looked for gaps in voucher numbers to identify claims paid outside of the claims auditing process and included them in our sample. This judgmental sample comprised 214 claims totaling approximately \$1.5 million and included all 81 health insurance claims (\$592,674) and all three capital projects fund claims paid by the Village (\$10,243).
- We reviewed the claims in our sample to determine whether the claims were:
 - Authorized and approved;
 - Adequately supported with original invoices, receipts or other supporting documentation;
 - In conformity with the legal and policy requirements related to competitive procurement; and
 - Exclusive of sales tax charges.
- We reviewed the claims against the Village's Board-adopted procurement policy to determine whether Village officials sought competition for purchases over \$5,000, which is when written quotes are required according to the policy.

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 Village 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

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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

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