



Town of Allen

Claims Audit

2024M-123 | February 2025

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Report Highlights

Town of Allen

Audit Objective

Determine whether the Town of Allen (Town) Town Board (Board) properly audited and approved claims prior to payment.

Key Findings

The Board did not properly audit and approve all claims prior to payment. As a result, there was an increased risk that improper or unsupported payments could have been made and may not have been detected and corrected, and that Town officials paid more for goods and services than necessary. All 105 claims we reviewed had one or more exception, including:

- 103 claims totaling approximately \$108,000 were not sufficiently itemized and should not have been approved for payment.
- 47 claims totaling approximately \$41,000 did not contain sufficient supporting documentation to verify that the purchases were properly authorized by an appropriate department head.

Two claims totaling approximately \$160 for membership dues could not be located and provided for our review. As a result, we could not confirm whether they were for a valid and legal Town purpose.

Recommendations

The audit report includes eight recommendations that, if implemented, will improve the Board's claims audit practices.

Town officials agreed with our recommendations and indicated they plan to initiate corrective action.

Audit Period

January 1, 2023 – August 27, 2024

Background

The Town is located in Allegany 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 day-to-day operations and the payment of claims audited and approved by the Board.

During our audit period, three Supervisors served the Town. The first Supervisor served from January 1, 2023 through April 16, 2024, the second Supervisor served from April 18, 2024 through May 18, 2024, and the third and current Supervisor was appointed on May 21, 2024.

The Town Clerk (Clerk) is responsible for preparing claims and providing them to the Board for audit. She is also responsible for the storage and safekeeping of claims.

Quick Facts

January 1, 2023 – May 31, 2024

Claims Processed

Dollar Amount	\$457,730
Number of Claims	375

Claims Sample Selected

Dollar Amount	\$107,710
Number of Claims	105

Claims Auditing

What Are Properly Audited and Approved Claims?

A proper claims audit is a thorough and deliberate examination to determine that a claim is a legal obligation and proper charge against a town. Generally, a claim should contain enough detail and documentation so that a town board (board) is supplied with sufficient information to make that determination. New York State Town Law Section 118 requires a board to audit claims against a town before disbursing payments.¹ The board's audit responsibilities include determining, among other things, that a claim is:

- For a valid and legal purpose,
- Mathematically correct,
- Sufficiently itemized,
- Approved by the proper department, and
- Supported by sufficient documentation, such as detailed receipts, invoices and receiving documentation.

Board members should indicate their approval of claims by signing or initialing each individual claim. The town supervisor is then directed to pay the approved claims. The board's meeting minutes should reflect what claims have been audited, whether they were allowed or disallowed in whole or in part, and the beginning and ending claim numbers approved for payment and the total amount approved by fund.

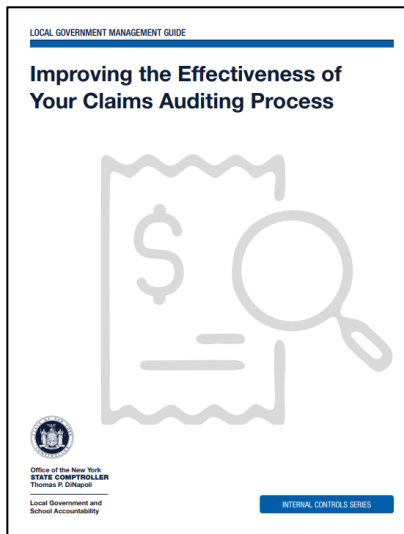
Additional information on how to properly audit and approve claims can be found in publications and training tools offered by the New York State Office of the State Comptroller, including our Local Government Management Guide entitled *Improving the Effectiveness of Your Claims Auditing Process* and webinars through our Office's *Academy for New York State's Local Officials* (Figure 1).

¹ Town Law Section 118 allows a board, by resolution, to 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.

FIGURE 1

OSC Publication and Webinar

Local Government Management Guide – Improving the Effectiveness of Your Claims Auditing Process



Access this publication at:
<https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

Webinar: Improving the Effectiveness of Your Claims Auditing Process



This session will assist local officials in learning how to establish an effective and efficient claims processing system. A well-designed system ensures proper use of municipal resources, provides local officials with useful information and complies with all applicable laws and regulations.

Access this webinar at:
<https://www.osc.ny.gov/local-government/academy/webinars>

The Board Did Not Properly Audit and Approve Claims

We selected a sample² of 105 claims paid during the audit period, totaling approximately \$108,000, and determined that claims were not properly audited and approved prior to payment. While we determined that 103 of the claims paid were for a valid and legal Town purpose, the Clerk could not locate and provide us with two claims for membership dues totaling approximately \$160. Without reviewing these claims, we could not confirm whether they were for a valid and legal Town purpose.

Of the 103 claims we were able to review, we determined that the Board should not have approved the claims for payment as presented and the Supervisor should not have paid these claims because the claims either did not contain sufficient documentation to allow for a proper audit or the claim contained one or more exception, as detailed below:

- All 103 claims totaling approximately \$108,000 were not sufficiently itemized. For example, multiple invoices did not include the quantity of units purchased and/or the unit price. Without this information, Board members would not have been able to verify whether the amount purchased

² See Appendix B for more information on our sampling methodology.

was appropriate for the Town's needs or that the charges were appropriate and calculated correctly, but they approved the claims regardless.

- 47 claims totaling approximately \$41,000 did not contain sufficient evidence the purchases were properly authorized by an appropriate department head, but the Board approved these claims for payment regardless of this missing information. Approving claims without the proper approvals increases the risk that inappropriate claims could be presented and paid.
- 17 claims totaling approximately \$24,000 did not contain sufficient supporting documentation, such as original receipts or invoices, to allow for a proper audit or demonstrate that the purchases were for a valid Town purpose. We reviewed each of these purchases, spoke with Town officials and obtained additional supporting documentation, and determined that the goods and services for all 17 claims were for a valid and legal Town purpose.
- Eight claims included the payment of approximately \$100 in sales tax that the Town was exempt from paying. The Board should not have approved these claims as presented for payment and should have directed an appropriate Town official to contact the vendors to have the sales tax removed.
- Three claims totaling approximately \$2,100 were not included on the Clerk's abstracts (i.e., list of audited claims). All claims reviewed and approved by the Board must be listed on the Clerk's abstract of audited claims that is presented to the Supervisor for payment. Claims that are not listed on the abstract should not be paid as the abstract is the documentation that the listed claims have been audited and approved for payment.
- Two claims totaling approximately \$1,900 were included in the Board meeting minutes as audited and approved but were not signed or initialed to indicate they were properly reviewed. The other 101 claims reviewed included either a signature or the initials of the reviewers.

The Clerk told us she would create and number each claim as she received invoices or other claim documentation in the mail or from department heads. She also told us that because of a lack of training, she was not sure what information should be included with the claims and presented to the Board for audit. The current Supervisor said that there has been significant turnover on the Board during our audit period, and that those currently serving, including himself, did not take training on the claims audit process and were not familiar with how claims should be audited.

Because the Supervisor and Board members did not seek guidance or attend training to familiarize themselves with their claims audit responsibilities, claims were paid that were not adequately supported or properly audited before payment. As a result, there was an increased risk that improper payments could have been made and not detected or corrected.

What Do We Recommend?

The Supervisor and Board members should:

1. Familiarize themselves with their claims audit responsibilities and attend training to enhance their understanding of their responsibilities as time and resources permit.

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2. Conduct a thorough and deliberate audit of each claim presented for payment, including verifying that each claim is for a valid and legal purpose, mathematically correct, sufficiently itemized, contains the proper departmental approvals and that sufficient documentation is attached, including detailed receipts, invoices and receiving documentation.
 3. Assist with locating or requesting additional supporting documentation for the two claims that the Clerk could not locate and review these claims to ensure that they were for a valid and legal Town purpose.
 4. Ensure that the Town does not pay sales tax.

The Supervisor should:

5. Discontinue paying claims that are not properly audited and approved by the Board.

The Clerk should:

6. Familiarize herself with her claims audit responsibilities and attend training to enhance her understanding of her responsibilities as time and resources permit.
7. Ensure that each claim contains the proper original supporting documentation, such as invoices and receipts, before presenting them to the Board for review.
8. Ensure that the abstract presented to the Supervisor contains all claims audited and approved by the Board.

Appendix A: Response From Town Officials

TOWN OF ALLEN

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Fillmore, NY 14735
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Fax: 585-567-8322

Town Supervisor

Zachary Badgley

Highway Superintendent

Raymond Dennis

Town Clerk Collector

Jame J. VanDewalker

Councilman

Todd Krzeminski

Jeffrey Steadman

Richard Hunt

January 28th, 2025

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

Re: Report of Examination 2024M-120 and Report of Examination 2024M-123

To the state comptroller,

The Town of Allen is in receipt of the Office of the State Comptroller's audit's of the Town of Allen boards claims audit and the town clerk collections reports. This letter is to serve as the Town of Allens written response required for the audits, and state that a Corrective Action Plan will be submitted at a later date.

The two audits conducted by the Office of State Comptroller focused on the town boards claims audit process and procedure, as well as the town clerks collection process and procedures. The town Supervisor and the Town clerk met with our auditors on January 15th 2025 for an exit interview. The Town agrees with and appreciates the auditor's findings in both of these individual audits. The Town realizes that adequate training, through the Office of State Comptroller, is going to be the best action the Town can take to address the finding's indicated in the respective reports. The Town board underwent turn around in serving board members during the period of audit which contributed to the findings reported by the state comptroller; but not all findings. The Town board and Town clerk will be working together to establish a better understanding of all requirements of individual of the Town of Allens serving members.

Once again, we are thankful for the recommendations made in the audit report, and detailed responses will be forthcoming in our corrective action plan

We thank our auditors for their professionalism, patience, and wealth of knowledge helping the Town of Allen moving forward,

Sincerely,

Town Supervisor

Town Clerk

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 officials, including the Clerk, Supervisor and Board members, and reviewed Board meeting minutes to gain an understanding of the Town's claims audit process.
- From a population of 375 claims totaling \$457,730, we used our professional judgment to select a sample of 105 claims totaling \$107,710 for review. Our sample included all claims from the three months with the largest number of payments processed from the general fund and highway fund bank accounts. These included February 2023 and January and February 2024.
- We reviewed the selected claims to determine whether they were properly supported, authorized and approved by department heads, mathematically correct, for an appropriate Town purpose, and audited and approved before payment or allowed to be paid before being audited by the Board.

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

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

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Contact

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

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

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