

# Orleans County Soil and Water Conservation District

## Claims Audit

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**AUGUST 2018**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Orleans County Soil and Water Conservation District

### Audit Objective

Determine whether claims were properly audited prior to payment.

### Key Findings

- The Board has not adopted a cash disbursement policy.
- Twenty-four claims totaling approximately \$7,300, out of the 72 claims totaling approximately \$524,000 in our sample, were not audited and approved by the Board prior to payment.

### Key Recommendations

- Develop and adopt a cash disbursement policy to ensure all claims are subjected to an independent, thorough and deliberate review. Such a review should ensure that every claim contains enough supporting documentation to determine whether the amount to be paid represents actual and necessary expenditures.
- Ensure all claims are audited and approved prior to payment.

District officials agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The Orleans County (County) Soil and Water Conservation District (District) is one of 58 such districts in New York State. These districts provide services and fund projects to improve and maintain wildlife habitat, help control and prevent water pollution from non-point sources, and manage erosion control and other related land-use issues.

The District is governed by a five-member Board of Directors (Board) appointed by the County Legislature. The District Manager is responsible for managing day-to-day operations under the Board's direction. The District employs a Treasurer, who is responsible for maintaining the financial records and also serves as Secretary.

#### Quick Facts

|                         |           |
|-------------------------|-----------|
| 2017 Total Expenditures | \$889,000 |
| Employees               | 4         |

### Audit Period

January 1, 2017 – April 13, 2018

# Claims Audit

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## What Is an Effective Claims Audit Process?

A board should adopt a policy to govern the handling of cash disbursements. The policy should address the process for properly auditing claims. An effective claims audit process ensures that all claims are subjected to an independent, thorough and deliberate review. Such a review should ensure that every claim contains enough supporting documentation to determine whether the amount to be paid represents actual and necessary expenditures. Further, it is important a board audit and approve claims before payment is made.

## The Board Did Not Always Audit and Approve Claims Prior to Payment

The Board has not adopted a cash disbursement policy. The Treasurer provides the Board with an abstract, or list, of claims and the corresponding claims and documentation each month for audit and approval. The Board should review and approve the abstract and the individual claims.

We examined 72 claims totaling approximately \$524,000 paid during the audit period and determined that all of the claims were for appropriate District purposes and adequately supported. However, 24 claims (33 percent) totaling approximately \$7,300 were not audited and approved before payment was made. Most of these claims were for reimbursement of meal allowances and mileage. While the Treasurer reviewed them, she did not know that the Board should have audited them prior to payment. Had the Board adopted an adequate written policy, the Treasurer may have had appropriate guidance on how to properly process these claims.

Although we did not find any material discrepancies, when claims are paid in advance of audit, there is an increased risk that improper claims could be paid without detection.

## What Do We Recommend?

The Board should:

1. Develop and adopt a cash disbursement policy that addresses the auditing of claims.
2. Ensure all claims are audited and approved prior to payment.

# Appendix A: Response From District Officials

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## *Orleans County Soil & Water Conservation District*

446 West Avenue Albion, NY 14411 Phone: (585)589-5959 Fax: (855)347-7122

July 25, 2018

Unit Name: Orleans County Soil & Water Conservation District  
Audit Report Title: Claims Audit  
Audit Report Number: 2018M-105

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

### **Audit Recommendation:**

The Board should:

1. Develop and adopt a cash disbursement policy that addresses the auditing of claims.

**Corrective Action Plan** – The Orleans County Soil & Water Conservation District has developed a draft Cash Handling and Disbursement Policy that will be adopted as soon as it has been finalized.

2. Ensure all claims are audited and approved prior to payment.

**Corrective Action Plan** – All claims will be submitted to the board for approval prior to payment.

### **Implementation Plan of Action(s):**

1. The Orleans County Soil & Water Conservation District Board of Directors will adopt a Cash Handling and Disbursement Policy.
2. All claims are submitted to the board to be audited and approved prior to payment.

### **Implementation Date:**

It is anticipated that the Cash Handling and Disbursement Policy will be adopted at the regularly scheduled meeting of the Board of Directors on August 14, 2018.

All claims for payment have been submitted to the board prior to payment beginning May 1, 2018.

### **Person Responsible for Implementation:**

The Secretary/Treasurer will be responsible to make sure that the new policy is followed and that all claims are audited and approved prior to payment.

Sincerely,

Edward Morgan  
Chairman

## 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed District policies and interviewed District officials to gain an understanding of the District's claims audit process.
- We reviewed a judgmental sample of 72 claims totaling approximately \$524,000 paid during our audit period to determine whether they were supported by adequate documentation, were audited and approved prior to payment and were for appropriate District purposes. The sample was selected from the District's canceled check images based on risk, to include payments to vendors totaling at least \$10,000 and payments to individuals. We excluded payments made to government entities and the health insurance provider.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 District Secretary's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

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

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

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

[www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf](http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

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

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

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

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