



Village of Elmira Heights

Claims Auditing

2024M-44 | July 2024

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Report Highlights

Village of Elmira Heights

Audit Objective

Determine whether the Village of Elmira Heights (Village) Board of Trustees (Board) properly audited claims.

Key Findings

Although New York State Village Law Section 5-524 requires, with limited exceptions, a village board to audit all claims against a village before payment is made, the Board did not perform a thorough and deliberate audit of individual claims. The lack of a proper claims audit increases the risk that improper payments could be made and not detected.

Although the 213 claims reviewed totaling \$771,282 were for proper Village purposes, we determined:

- 34 claims totaling \$143,560 were improperly paid before Board approval.
- 11 claims totaling \$34,987 lacked evidence that verbal or written quotes were obtained as required by the Village's procurement policy.

Key Recommendations

- Perform a thorough and deliberate audit of all claims.
- Ensure quotes are obtained and attached to the claims to help ensure competition is sought in accordance with the Village's procurement policy.

Village officials generally agreed with our findings and indicated they have begun to initiate corrective action.

Audit Period

June 1, 2022 – December 20, 2023

Background

The Village, located in the Town of Horseheads in Chemung County, is governed by an elected five-member Board which consists of the Village Mayor (Mayor) and four Trustees.

The Board is responsible for the general management and oversight of Village operations and finances, including auditing and approving claims for payment.

The Mayor, as the Village's chief executive officer, is responsible for its day-to-day management under the Board's direction. The Clerk-Treasurer is the chief fiscal officer and is responsible for the Village's day-to-day financial activities, which include processing disbursements.

Quick Facts

2023-24 Appropriations	\$3.7 million
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Claims Processed in Audit Period

Number of Claims	1,220
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Amount of Claims	\$3.8 million
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Claims Reviewed

Number of Claims	213
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Amount of Claims	\$771,282
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Claims Auditing

What Is a Proper Claims Audit?

A proper claims audit is a thorough and deliberate examination to determine that a claim is a legal obligation and a proper charge against a village. Generally, in accordance with New York State Village Law Section 5-524, a village board must audit all claims against a village before payment is made. While a board may, by resolution, authorize payment for public utility services, postage, freight and express charges in advance of audit, the claims for such advance payments must be presented at the next regular board meeting for audit. A village board's audit responsibilities include determining, among other things, that a claim is:

- For a valid and legal purpose,
- In compliance with competitive bidding and procurement policy requirements,
- Mathematically correct,
- Sufficiently itemized,
- Approved by the proper department, and
- Supported by sufficient documentation such as detailed receipts, invoices and receiving documentation.

After the village board has completed its audit, the board meeting minutes should reflect what claims have been audited and whether they were allowed or disallowed, in whole or in part. The board meeting minutes should also indicate the beginning and ending claim numbers approved for payment and the total amounts approved by fund. The Village's procurement policy outlined the price competition required for procuring goods and services below the competitive bidding requirements¹ (Figure 1).

Figure 1: Village Procurement Policy Thresholds for Purchase Contracts

Purchase Amount	Policy Requirements
Less than \$750	Left to the discretion of the purchaser
Between \$750 and \$1,999	Verbal quotes from three vendors
Between \$2,000 and \$19,999	Written quotes from three vendors

¹ In accordance with New York State General Municipal Law Section 103, villages are generally required to advertise for competitive bids for purchase contracts exceeding \$20,000.

The Board Did Not Properly Audit Claims and Village Officials Did Not Follow the Village's Procurement Policy

Although the Clerk-Treasurer generally prepared claims with sufficient documentation available to review, the Board did not perform a proper claims audit of individual claims and supporting documentation (e.g., invoices, receipts, receiving slips, etc.). Rather, the Board reviewed an abstract (i.e., listing) of unaudited claims each month and signed the abstract summary page indicating approval. The abstracts did not contain sufficient details or itemization for the Board to make necessary determinations in accordance with a proper claims audit. In addition, although the Board meeting minutes provided the abstract number and total dollar amount of claims approved, it did not indicate which claims were approved or disallowed, in whole or in part, or the beginning and ending claim numbers approved.

We reviewed 213 claims² totaling \$771,282 and determined that officials improperly paid certain claims before presenting them to the Board on an abstract and did not always seek competition in accordance with the Village's procurement policy.

Claims Improperly Paid Before Board Approval – The Clerk-Treasurer improperly paid 34 claims totaling \$143,560 before Board audit and approval. The majority of these claims were for health insurance (11 payments totaling \$63,433), property and life insurance (seven payments totaling \$48,911), service contracts for less than a year (six payments totaling \$15,358) and credit cards (five payments totaling \$9,772).

The Clerk-Treasurer told us that she was unaware that certain payments were not allowed to be made before Board audit and approval and that she paid certain payments to avoid late charges. Additionally, the Village's prepayment resolution inappropriately allowed for health insurance premiums to be made before Board audit and approval. Both the Mayor and a Board member stated that they were unaware of the claims auditing requirement.

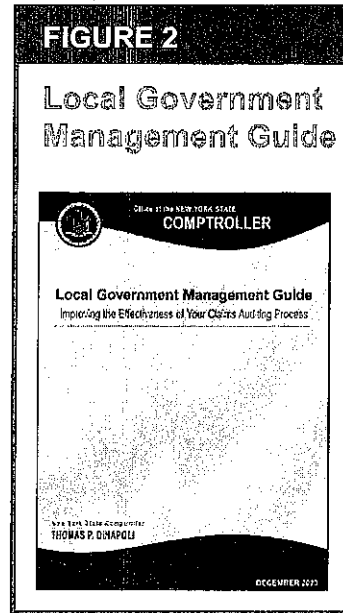
Seeking Competition – From the 213 claims we reviewed, the Village's procurement policy required quotes for 22 claims totaling \$120,000. However, Village officials could not provide documentation to verify that they obtained the appropriate number of quotes before purchase for 11 claims totaling \$34,987. The majority of these purchases included payments for repair and maintenance services for fences (three payments totaling \$10,690), heating and plumbing services (three payments totaling \$4,789), vehicle repairs such as tires for vehicles (two payments totaling \$4,438) and a part for a street sweeper totaling

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

\$1,226. The Mayor told us that she thought officials had obtained quotes for these purchases but will make sure that they obtain and attach quotes to the claims in the future.

During our fieldwork, we shared our publication *Improving the Effectiveness of Your Claims Auditing Process*³ and other training resources⁴ with the Board and Clerk-Treasurer.

The claims we reviewed were generally mathematically correct, sufficiently itemized, approved by the proper department and supported by sufficient documentation. Although we did not identify any claims for inappropriate Village purposes, when individual claims are not properly audited before payment, there is an increased risk that improper payments could be made and not detected. When the Board does not ensure that appropriate competition is sought before purchases are made, cost savings may be missed, and those increased costs are passed on to the taxpayers.



What Do We Recommend?

The Board should:

1. Ensure any purchases that require quotes are attached to the claims to help ensure competition is sought based on the Village's procurement policy.
2. Conduct a thorough and deliberate audit of each claim presented for payment.
3. Modify the prepayment resolution so that only allowable prepayments are included.

The Clerk-Treasurer should:

4. Discontinue paying claims before audit unless advanced payment is permissible.

³ <https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

⁴ <https://www.osc.ny.gov/local-government/academy/webinars>

Appendix A: Response From Village Officials



The Village of Elmira Heights

Ann Singer
Chief Examiner
NYS Office of State Comptroller
Binghamton, NY 13901

Dear Ann Singer,

06/18/2024

As per our exit interview with NYS Comptrollers auditor, the response and corrective action plan from our Village of Elmira Heights officials is as follows:

Appendix A

1. All department heads have been made aware of the procurement policy and that it must be followed going forward to include the required quotes being attached to the claims.
2. An audit board has been set up to include two Trustees directed by the Mayor Smith to conduct a thorough audit of each claim monthly before the village board meetings where they will be approved or disapproved. The audit team will revolve every 6 months to include all Trustees.
3. The board will make an amendment to the prepayment resolution passed at our yearly organizational meeting in April, to only allowable prepayments.
4. The clerk/treasurer is in contact with our insurance agent to arrange payment schedules to a later due date, so not to conflict with the prepayment policy.

If you have any questions, please reach out to me.

Respectfully submitted,

Robin Witkow̄ski, Village 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 Mayor, a Board member and the Clerk-Treasurer, and reviewed Board meeting minutes to gain an understanding of the Village's claims audit process.
- From a population of 1,220 claims totaling \$3.8 million, we used our professional judgment to select a sample of 213 claims totaling \$771,282. We selected our sample to include the claims paid in December 2022 and February 2023, which had the greatest number of transactions and were close to the holidays, and July 2023 which is near the beginning of the Village's fiscal year. We reviewed these claims to determine whether they were:
 - Properly supported, authorized and approved,
 - Mathematically correct,
 - For an appropriate Village purpose,
 - Audited and approved before payment or allowed to be paid before Board audit, and
 - In accordance with the Village's procurement 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 Clerk-Treasurer'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

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief of Municipal Audits

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

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