



Town of Theresa

Internal Controls Over Claims Auditing

Report of Examination

Period Covered:

January 1, 2012 — December 31, 2013

2014M-89



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2014

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Theresa, entitled Internal Controls Over Claims Auditing. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Theresa (Town) is located in Jefferson County. The Town has a population of 2,905 residents and provides various services including street maintenance, trash removal, library services and general government support. The Town's budgeted appropriations for the 2013 fiscal year totaled approximately \$1,528,000 for the general and highway funds (including part-town and town-wide) and were funded primarily by sales taxes, real property taxes, services to other governments and State aid.

The Town Board (Board), which comprises five members, is the legislative body responsible for managing Town operations and for making sound financial management decisions that are in the best interests of the taxpayers. The Town Supervisor (Supervisor), who is a member of the Board, serves as chief executive officer and chief fiscal officer. The Board is responsible for the general management and oversight of the Town's fiscal matters, including auditing claims.

Objective

The objective of our audit was to review internal controls over the Town's claims process. Our audit addressed the following related question:

- Are internal controls over the claims audit process designed to ensure that claims are adequately supported and appropriate prior to payment?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in the financial areas we reviewed. Because the payment of claims represents material disbursements for the Town, we examined the Town's claims audit process and tested claims to verify that controls were in place for the period of January 1, 2012 through December 31, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of
Local Officials**

The results of our audit have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our findings.

Claims Auditing

The Board is responsible for auditing and approving claims and establishing internal controls over the claims auditing process. Town Law provides a level of control by separating certain cash disbursements duties between the Board, Supervisor and Town Clerk.

The Board's claims auditing process should be deliberate and thorough, ensure that each claim contains sufficient supporting documentation to verify compliance with Board-adopted policies and statutory requirements, and ensure that all claims are for goods/services that were actually received by or rendered to the Town and that the amounts claimed represent proper Town expenditures. After the Board has audited and approved the claims for payment, the Clerk must prepare an abstract of audited claims. The abstract authorizes and directs the Supervisor to pay the amounts allowed upon the claims. Except as authorized by law, the Supervisor should ensure that no claims are paid unless they are approved by the Board.¹

We examined 483² claims totaling \$770,545 to determine if they were listed on the abstracts and contained appropriate supporting documentation, if they were for proper Town purposes and if the Board properly approved them for payment. All vouchers tested had proper Board approval and adequate documentation to support that the disbursements were proper and reasonable. Although we identified minor deficiencies which were discussed with management, we determined that internal controls over the claims audit process are designed to ensure that claims are adequately supported and appropriate prior to payment.

¹ The Board can authorize, by resolution, the payment of certain claims in advance of audit, including those for public utility services, postage and freight and express charges. However, these claims must be presented to the Board for audit after payment.

² Includes 90 payroll claims totaling \$54,971 that were included on the Town's abstracts of audited claims. We selected 223 claims from two months with no expectation of more or fewer errors than claims from other months in the audit period plus 260 claims paid throughout the audit period that posed a higher risk, such as payments to unusual or unknown vendors. See Appendix B for more information on how we selected our sample.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

Supervisor:
Steven Marcinkowski

Town Clerk:
Kim A. Delles

Councillmen:
Timothy Busler
Charles Folsom
Pamela Brown
Kevin McCarthy

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Superintendent of Highways:
Gerald E. Reynolds
(315) 628-4452

May 15, 2014

New York State

Office of the State Comptroller

Syracuse office

To whom it may concern;

First of all I want to thank the State of New York Office of the State Comptroller for the thorough job in auditing the Town of Theresa. It was truly a learning experience for all of us.

There were about 14 minor deficiencies that were discussed with me and more than 80% have been addressed with the balance needed more time to evaluate, develop and implement. We are on track to take care of these minor deficiencies very soon.

The audit has proven that the former town supervisor, Clint Coolidge, town board members, town clerk, Kim Delles and book keeper/clerk, Corinne Klepacz has manage the Town of Theresa's financial affairs above reproach. What I mean by that is Mrs. Delles and Mrs. Klepacz has been and will continue to be efficient and proficient in all town matters including (the most important) all its money matters. I know personally that these people worry about the elderly and poor in our community paying their property taxes every year and getting by when there is a bad winter. They have taken a very conservative approach to town government and it has paid off for all town/village residents.

With a conservative detailed approach, Theresa Town Government will continue look after the needs of our residents.

Thank you.

Steven Marcinkowski

Town Supervisor

Theresa, New York

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology.

During our initial assessment, we interviewed appropriate Town officials and employees, performed limited tests of transactions and reviewed pertinent documents, such as adopted policies and procedures, Board minutes and financial records and reports. After reviewing the information gathered during our initial assessment, we determined that controls appeared to be adequate and limited risk existed in the financial areas we reviewed. Because the payment of claims represents material disbursements for the Town, we selected claims auditing for further audit testing. Our audit covered the period of January 1, 2012 through December 31, 2013.

To accomplish our audit objective and obtain valid evidence, our procedures included the following:

- We interviewed Town officials to gain an understanding of the claims auditing process and reviewed Board meeting minutes.
- We reviewed claims to determine if they contained proper departmental approval, sufficient supporting documentation and evidence that they were for a proper Town purpose and if they were approved by the Board prior to payment. We also examined the related canceled checks and abstracts to ensure consistency with the claims.
- We reviewed all 223 claims totaling \$136,340 on the abstracts for June 2012 and June 2013. These months were selected with no expectation of finding more or fewer errors than in any other months in our audit period.
- We judgmentally selected 260 claims paid during our audit period totaling approximately \$634,205 for examination. We selected these claims because they posed a higher risk of being inappropriate Town expenditures. Such payments included payments made to Town officials, their spouses, their business interests; unusual or unknown vendors; payments of high dollar amounts; and payments for potentially questionable purchases.

We conducted this performance audit in accordance with 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.

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