



Village of Fort Johnson Claims Processing

Report of Examination

Period Covered:

June 1, 2015 — June 30, 2016

2016M-324



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Village Officials	2
CLAIMS PROCESSING	3
APPENDIX A Response From Village Officials	4
APPENDIX B Audit Methodology and Standards	6
APPENDIX C How to Obtain Additional Copies of the Report	7
APPENDIX D Local Regional Office Listing	8

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

Dear Village 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 Village 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 Village of Fort Johnson, entitled Claims Processing. 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 New York State General Municipal Law.

This audit's results and recommendations 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 Village of Fort Johnson (Village) is located in the Town of Amsterdam in Montgomery County and has approximately 490 residents. The Village provides various services to its residents including sewer, fire protection, street maintenance, snow removal, garbage collection and general governmental support. The Village's 2016-17 fiscal year budgeted appropriations total approximately \$268,000 and are funded by real property taxes, sales tax and user fees.

The Village is governed by an elected Board of Trustees (Board), which is composed of a Mayor and four trustees. The Board is responsible for the general management and control of the Village's financial affairs. The Mayor serves as the chief executive officer and is responsible for the Village's day-to-day management. The Village Clerk-Treasurer, who is appointed by the Board, serves as the chief financial officer and is responsible for maintaining the accounting records, processing collections, making deposits, disbursing Village money and preparing and filing financial reports.

Objective

The objective of our audit was to examine the Village's claims processing procedures. Our audit addressed the following related question:

- Are claims adequately documented and properly supported, for legitimate Village purposes and approved prior to payment?

Scope and Methodology

We examined the Village's controls over claims processing for the period June 1, 2015 through June 30, 2016.

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 are included in Appendix B of this report. 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.

Comments of Village Officials

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

Claims Processing

An effective claims processing system ensures that every claim against the Village is subjected to an independent, thorough and deliberate review to determine if proposed payments are proper and valid Village charges. An effective claims process also ensures that claims contain enough supporting documentation to determine if purchases made represent actual and necessary Village expenditures. The Board is responsible for auditing and approving all claims against Village funds. It is also important for the Board to determine whether the claims are properly itemized and supported and whether the Village has actually received the goods or services described in each claim. Further, the Board should determine if prepaid claims¹ are both permissible and processed properly. The Board's approval of claims for payment should be documented in the Board minutes.

Village officials have established effective procedures that ensure claims are adequately documented and properly supported, for legitimate Village purposes and approved prior to payment. The Clerk-Treasurer receives vendor invoices from department heads or by mail and prepares the claim packets. The Clerk-Treasurer consecutively numbers all claim packets and lists them on an abstract.² Prepaid claims are included on the abstract. She submits the claim packets to the Board for review at the regularly scheduled Board meetings. Each Board member reviews each individual claim packet and Board resolutions approving payment of claims are then passed and documented in the meeting minutes.

We randomly³ selected 65 claims totaling \$20,177 out of the 345 claims totaling \$368,152 paid by the Village during our audit period. Our sample included claims from all of the Village's departments. Our procedures included verifying that claims were properly audited prior to payment, were adequately supported and were for legitimate Village purposes. In addition, we verified that prepaid claims were permissible and processed properly. Except for minor issues which we discussed with Village officials, we found that the Board conducted a complete and thorough audit of the claims and that claims were adequately supported and for legitimate Village purposes.

We commend Village officials for designing and implementing this system of controls over the approval of claims.

¹ New York State Village Law allows the Board to authorize, by resolution, the payment of claims for utility services, postage, and freight and express charges in advance of audit.

² An abstract is a list of claims to be paid.

³ Using a computerized random sampling tool

APPENDIX A

RESPONSE FROM VILLAGE OFFICIALS

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

**VILLAGE OF FT. JOHNSON
P. O. Box 179
FT. JOHNSON, NEW YORK 12070**

**Mayor Kenneth M. Walter
Clerk / Treasurer Barbara S. Smith 518-843-3175**

**Trustees: Bill Smith
Chris Blessing
Jim Bartone
Bill Maines**

Web Site: www.vfjny.org

December 8, 2016

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

RE: OSC Audit of the Village of Fort Johnson

Dear Mr. Leonard,

After receiving the audit results and reviewing them with the OSC audit team, I and the Village Board are in complete agreement with the OSC's findings. Furthermore, I appreciate the critical investigation into the budgetary and financial processes utilized by the Village and all of the helpful comments and suggestions provided by the audit team.

Sincerely,

Kenneth M. Walter, Mayor
Village of Fort Johnson

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Village officials and employees to gain an understanding of the Village's claims auditing process.
- We randomly selected 50 claims from our audit period. We examined all claims to determine whether they were properly audited prior to payment, were adequately supported and were for valid Village purposes.
- We randomly selected two months (August 2015 and April 2016) from our audit period and reviewed all 15 prepaid claims from those months. We examined all claims to determine whether they were permissible, submitted for post audit, adequately supported and for valid Village purposes.
- For the 65 claims selected, we determined whether claim vouchers, checks, abstracts and supporting documents agreed.

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.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313