



# Village of Sagaponack Claims Processing

## Report of Examination

Period Covered:

June 1, 2015 – February 28, 2017

2017M-124



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## Division of Local Government and School Accountability

September 2017

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 Sagaponack, 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 Sagaponack (Village) is located in the Town of Southampton in Suffolk County and has a population of approximately 313 residents. The Village provides various services, including building and zoning permits, and tree and infrastructure maintenance. The Village's general fund budget for the 2016-17 fiscal year was \$850,659, funded primarily with real property taxes, building permit fees and State aid.

The Village is governed by a Board of Trustees (Board), which is comprised of an elected Mayor, Deputy Mayor and three Trustees. The Board is responsible for the overall management and oversight of Village operations. The Village Clerk-Treasurer (Clerk-Treasurer), who is appointed by the Board, serves as the chief financial officer and is responsible for maintaining the accounting records, processing collections, disbursing Village money and preparing and filing financial reports.

## **Objective**

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

- Did the Board adequately audit claims to ensure that there was sufficient documentation to support their payment of claims?

## **Scope and Methodology**

We examined the claims audit process for the period June 1, 2015 through February 28, 2017.

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 Local Officials and Corrective Action**

The results of our audit and recommendations 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 and indicated they have initiated corrective action.

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 forwarded 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 this plan available for public review in the Clerk-Treasurer's office.

## Claims Processing

The Board is responsible for ensuring that every claim is subject to an independent, thorough and deliberate review and should document its approval, by resolution, in the Board minutes. A proper audit ensures that each claim is itemized and accompanied by sufficient documentation to determine whether it complies with statutory requirements and Village policies, and that the amounts claimed represent actual and necessary Village expenditures.

While the Board, by resolution, generally approved a warrant of claims,<sup>1</sup> it did not perform an effective claims audit or establish an adequate process to ensure that transactions were properly authorized and approved, complied with statutory or Village requirements or that claims were for proper Village purposes. As a result, the Board does not have adequate assurance that goods and services are purchased at the best price.

Claims are initiated when the Clerk-Treasurer authorizes a purchase for a good or service. Once a purchase is made and goods are received, the claim voucher is assembled with an invoice, receiving slip and any other supporting documentation. Warrants are prepared by a clerk, reviewed by the Clerk-Treasurer and presented to the Board for approval. The Board reviews the warrant that shows the payee names, brief descriptions and the payment amounts. However, this review is not sufficient. The Board does not review each claim to determine if the claims are properly itemized and include appropriate supporting documentation. After the Board approves the warrant, the Clerk-Treasurer generates and signs disbursement checks to pay the claims.

During our audit period, the Village paid 558 claims, totaling \$722,827. We reviewed 25 claims totaling \$82,166.88,<sup>2</sup> along with the related warrants and Board minutes, to determine if they contained adequate supporting documentation, complied with the Village's procurement policy<sup>3</sup> and were for proper Village purposes. Except for minor deficiencies that were discussed with Village officials, the claims we tested appeared to be for proper Village purposes and generally

<sup>1</sup> A warrant is a list of claims presented to the Board for approval.

<sup>2</sup> See Appendix B for detailed information on our selection process.

<sup>3</sup> Village Procurement Policy requires at least three verbal quotes to be obtained for purchase contracts and public works contracts that fall within the \$500-\$2,999 threshold. Purchase contracts that fall within the \$3,000-\$19,999 threshold require at least three written, faxed or emailed quotes. Public works contracts also require three written, faxed or emailed quotes, but the dollar threshold is \$3,000-\$34,999.

contained adequate supporting documentation. However, four claims, totaling \$4,430, which fell below the competitive bidding thresholds, were made without seeking competitive quotations. For example, the Village paid one claim, totaling \$1,320 for computer services without seeking quotes.

As a result, there is an increased risk that goods and services were not procured in the most prudent and economical manner. Further, although all claims reviewed appeared to be for proper Village purposes, the Board's failure to audit claims increases the risk of payments to vendors that are not for proper Village purposes, for goods or services not of the quality or price agreed upon and/or for goods and services not actually received.

## **Recommendations**

The Board should:

1. Conduct a thorough and deliberate claims audit, ensuring that each claim has sufficient supporting documentation, and that purchases are made in accordance with Village policy.
2. Ensure that Village employees solicit and document quotes in accordance with the Village's procurement policy to obtain goods and services at competitive prices.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

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



## Village of Sagaponack

3175 Montauk Highway P.O. Box 600 Sagaponack, N.Y. 11962  
631-537-0017 Fax-537-0612  
Email: sagaponack@optonline.net

Mayor  
Don Louchheim  
Clerk-Treasurer  
Rosemarie Cary Winchell  
Village Attorney  
Anthony Tohill

Trustees  
Lee Foster  
William Barbour  
Joy Sieger  
Lisa Duryea Thayer

September 5, 2017

Office of the NYS Comptroller  
Division of Local Government & School Accountability  
ATT: Ira McCracken  
PSU-CAP Submission  
110 State Street 12<sup>th</sup> Floor  
Albany, NY 12236

RE: Audit Report-Response Letter and CAP

Dear Mr. McCracken:

The Village has received and reviewed the State Audit Report prepared by your office. We acknowledge that the Village did not have the proper claims audit procedure in place for the review of each claim listed on the monthly warrant along with the fact that the four claims highlighted in the report did not include documentation of competitive prices.

For each of the recommendations included in the audit report, the following is our corrective actions taken or proposed.

### **Audit Recommendation**

1. Conduct a thorough and deliberate claims audit, ensuring that each claim has sufficient supporting documentation, and that purchases are made in accordance with Village Policy.
2. Ensure that Village employees solicit and document quotes in accordance with the Village's procurement policy and assure that goods and services are obtained at competitive prices.

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

1. The Board of Trustees will conduct an audit of all claims prior to the approval of the warrant at the monthly meeting.
2. The Board of Trustees will review the Village procurement policy and amend where necessary to assure that goods and services are obtained at competitive prices. As a best practice going forward, the Village will document in writing the research that is conducted to assure that the goods and services are obtained at competitive prices for those goods and services that do not require written quotes under the Village's procurement policy.

**Implementation Date:**

1. April 14, 2017. At this and subsequent monthly meetings of the Village Board, all claim vouchers were and will be reviewed.
2. The Board will review the Village Procurement Policy at their September 11, 2017 meeting and starting September 1, 2017, all claims will include proper documentation demonstrating that competitive prices were sought before the purchase.

**Person(s) Responsible for Implementation:**

1. Board of Trustees
2. Board of Trustees and Village Clerk-Treasurer

Respectively Submitted,

Donald Louchheim  
Mayor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed all applicable laws and best practices pertaining to the process of auditing Village claims.
- We interviewed Village officials and key personnel to determine the procedures in place with the processing and auditing of claims.
- We systematically selected a sample of 25 claims from a population of the Village's vendor payment history for the audit period. Using professional judgment, we determined that we would exclude payments for utilities, state and federal taxes, New York State retirement system payments, New York State employee health insurance and bond payments. From the remaining payments made during the audit period, we sorted these payments by dollar amount from largest to smallest, and chose every 4th payment to derive our sample.
- We reviewed the claims in order to determine that claims matched warrants that were presented to the Board, claims were audited, claims contained sufficient documentation, claims were authorized by the Board prior to payment and claims were legitimate Village purchases. We also reviewed the cash disbursement warrants that were presented to the Board for accuracy.

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

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