

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Town of Andover

Audit of Claims

Report of Examination

Period Covered:

January 1, 2012 — September 30, 2013

2013M-388



Thomas P. DiNapoli

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State of New York

Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Andover, entitled Audit of Claims. 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 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 Town of Andover (Town) is located in Allegany County, covers approximately 40 square miles, and has approximately 1,830 residents. The Town provides various services for its residents including road maintenance, snow and ice removal, and general government support. The Town's 2013 budget appropriations totaled \$792,384, which were funded primarily with real property taxes, State aid and County snow and ice removal contract revenue.

The elected five-member Town Board (Board) is the legislative body responsible for managing Town operations, including establishing internal controls over financial operations. The Town Supervisor (Supervisor) is a member of the Board and serves as the Town's chief executive and chief fiscal officer. The Supervisor is responsible for receiving, disbursing and maintaining custody of Town money; maintaining accounting records; and preparing financial reports. A bookkeeper assists the Supervisor with maintaining the Town's accounting records.

Objective

The objective of our audit was to evaluate the audit of claims process. Our audit addressed the following related question:

- Did the Board ensure that only approved claims were paid by the Supervisor?

Scope and Methodology

We examined the Town's audit of claims process for the period January 1, 2012 through September 30, 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 and Corrective Action

The results of our audit and recommendations 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 recommendations and indicated they planned to initiate 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 the 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 Town Clerk's office.

Audit of Claims

The audit and approval of claims is one of the most critical elements of the Town's internal control system. Town Law requires the Board to audit and approve all claims against the Town prior¹ to directing the Supervisor to pay them. The Town Clerk (Clerk) should present the sequentially numbered claims to the Board and Board members must audit them and adopt a resolution authorizing the payment of those claims that were approved. The Clerk should list Board-audited and approved claims on an abstract, specifying the number of the claim, the name of the claimant, the amount allowed and the fund and appropriation account to be charged. The Clerk must present the abstract to the Supervisor directing him to pay the claims listed.

We found that the Clerk did not number claims or prepare abstracts of claims to be approved by the Board for payment by the Supervisor. Only the total amount of claims approved by the Board for payment was included in the Board minutes. We found that the amounts in the minutes did not agree with the total amounts of the approved claims for two of the four months we reviewed. For example, the February 2012 Board minutes indicated that the amount of claims approved for payment was \$9,630 more than the claims filed with the Clerk. Conversely, the February 2013 Board minutes indicated that the amount of claims approved for payment was \$1,128 less than the claims filed with the Clerk. The Clerk stated that she may have calculated the totals incorrectly before entering the amounts in the minutes.

We compared approved claims on file with the Clerk to the actual disbursements made during the four months with the most activity during our audit period and found that all disbursements were approved by the Board except for a payment to a senior citizens group for \$1,000 and emergency highway repairs of \$4,374. Claims for those payments should have been prepared and submitted to the Board for audit and approval prior to payment.

Without individually numbered claims and abstracts that list claims approved for payment, as statutorily required, the risk increases that unauthorized or fraudulent disbursements could be made.

¹ The Board may by resolution authorize the payment in advance of audit of claims for public utility services, postage, freight and express charges. All such claims shall be presented at the next regular meeting for audit.

Recommendations

1. The Clerk should sequentially number claims presented to the Board for audit approval. All claims, except where exempted by statute, should be presented to the Board for audit.
2. The Clerk should prepare monthly abstracts (list of all claims) specifying the numbers of the claims, the names of the claimants, the amounts allowed and the funds and appropriation accounts to be charged.
3. The Clerk should enter in the minutes the total dollar amounts and the sequential numbers of the claims approved for payment by the Board.
4. The Supervisor should only pay claims listed on abstracts provided by the Clerk, except where allowed by statute and/or resolution.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

Town of Andover
Office of the Supervisor
22 East Greenwood Street
Andover, New York 14806

February 28, 2014

Office of State Comptroller
Division of Local Government
110 State Street 12th Floor
Albany, New York 12236

Re: Audit # 2013-388 January 1, 2012 - September 30, 2013

To Whom It May Concern,

This letter is written in response to the audit conducted in the Town of Andover # 2013-388.

The exit conference was conducted on February 28th, 2014 at the offices of the town and the draft was reviewed. The Town accepts all recommendations of the audit. At this time we have no other questions or concerns regarding the audit.

A Corrective Action Plan will be submitted within the timelines allowed.

Thank you for the time and effort given to the Town to complete this audit.

Respectfully submitted,

Gus D. Weber, Supervisor

CC Andover Town Clerk and Board Members

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 management, cash receipts and disbursements, purchasing, and payroll and personal services.

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions, and reviewed pertinent documents, such as Board minutes, and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft, and/or professional misconduct. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected the audit of claims process.

To accomplish our objective, we interviewed appropriate individuals regarding Town policies and procedures, and performed the following procedures:

- We determined if there were policies and procedures for the audit of claims by the Board.
- We selected four months with the highest dollar amount of disbursements – two for 2012 and two for 2013 – for further testing.
- We compared Board minutes, claims and cancelled checks to determine if only Board-audited and approved claims were paid by the Supervisor.
- We reviewed the Supervisor's monthly financial reports to determine if the Board ensured that only approved claims were paid based upon their review.

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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