



Village of Stamford

Claims Audit

2022M-197 | April 2023

Contents

- Report Highlights 1**

- Claims Audit Process 2**
 - What is an Effective Claims Audit Process? 2
 - The Board Did Not Effectively Audit Claims 2
 - What Do We Recommend? 5

- Appendix A – Response From Village Officials 7**

- Appendix B – Audit Methodology and Standards 9**

- Appendix C – Resources and Services 11**

Report Highlights

Village of Stamford

Audit Objective

Determine whether the Village of Stamford (Village) Board of Trustees (Board) effectively audited claims prior to payment.

Key Findings

The Board did not effectively audit claims prior to payment. As a result, disbursements were made for unsupported and/or improper claims and were not in the taxpayers' best interest.

During the audit period, the Board approved 890 claims totaling \$8.2 million. Of the 200 claims totaling \$1 million we examined:

- 78 claims totaling \$195,545 did not have support that the purchases complied with competitive bidding requirements or the Village's procurement policy.
- Five claims totaling \$1,334 included food and alcohol purchases.
- One claim totaling \$700 did not have an itemized receipt and did not follow procurement guidelines.
- Six claims totaling \$637 did not have appropriate support, such as an itemized receipt or invoice.
- 17 claims had sales tax totaling \$129.

Furthermore, all 11 credit card claims totaling \$62,404 were improperly paid before Board audit.

Key Recommendations

- Perform a thorough and deliberate audit of claims.
- Ensure that Village personnel involved in the procurement process are aware of, and comply with, statutory bidding requirements and the Village's procurement policy.

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

Background

The Village, located in the Towns of Stamford and Harpersfield in Delaware County, is governed by an elected five-member Board which consists of the Mayor and four Trustees.

The Board is responsible for the general management and oversight of Village operations and finances, and is required to audit and approve claims before approving them for payment. Auditing and approving claims is an important part of the Board's responsibility to oversee Village expenditures.

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 Village's chief financial officer and is responsible for the Village's financial activities, which include processing disbursements.

The Village has a Department of Public Works (DPW) Superintendent and a Wastewater Treatment Plant (WWTP) Supervisor, who are both responsible for procuring goods and services for their respective departments.

Quick Facts

Claims Processed	
Number of Claims	890
Total Amount of Claims	\$8.2 million
Claims Reviewed	
Number of Claims	200
Total Amount of Claims	\$1 million

Audit Period

June 1, 2021 – July 31, 2022

Claims Audit Process

What is an Effective Claims Audit Process?

A village board (board) is required to audit all claims against the village before approving them for payment. Auditing and approving claims is an important part of a board's responsibility to oversee village expenditures. An effective claims audit process ensures that every claim against the village is subjected to an independent, thorough and deliberate review; that each claim contains enough supporting documentation to determine whether it complies with statutory requirements and village policies (e.g., procurement policy); and the amounts represent actual and necessary village expenditures.

The board should ensure that the claim is mathematically accurate, for the correct amount and generally does not contain sales tax. The board may, by resolution, authorize payment for 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. The minutes of board meetings should reflect what claims have been audited and whether they were allowed or disallowed, in whole or in part.

During the claims audit process, it is important for the board to ensure that the village is complying with competitive bidding requirements and its procurement policy to help ensure the prudent and economical use of public money and to guard against favoritism or other improprieties. The claims audit process should confirm officials complied with New York State General Municipal Law (GML) Section 103 that generally requires a board to solicit competitive bids for purchase contracts that aggregate to more than \$20,000 and public works contracts that aggregate to more than \$35,000 within a 12-month period of time from the purchase date.

In lieu of directly seeking competition for these goods and services, villages are authorized to make purchases using other publicly awarded government contracts, such as those of a county or the New York State Office of General Services (State contract). While purchasing through State and other government contracts may be advantageous, it is not required and does not guarantee a lower price and/or suitable quality item. Therefore, a village's procurement policy and procedures should ensure that competition is sought in a reasonable and cost-effective manner.

The Board Did Not Effectively Audit Claims

Although the Board reviewed and approved the payment of claims listed on the abstracts at its regular monthly meetings, the entire Board did not audit the claims. Instead, the Deputy Mayor reviewed and approved the individual claims. The claims and supporting documentation were available in the Clerk-Treasurer's

Auditing and approving claims is an important part of a board's responsibility to oversee village expenditures.

office for Board members to review, but they did not regularly review them. They told us that if they have a question about a claim listed on the abstract, it is discussed at the meeting before the Board approves the abstract for payment. Additionally, the Board adopted a resolution improperly approving the payment of credit cards in advance of audit. Therefore, all 11 credit card claims paid during our audit period totaling \$62,404 were improperly paid before Board audit, which increases the risk that inappropriate or unsupported charges could be paid without timely detection.

We selected 200 claims totaling \$1.02 million out of 890 claims paid during the audit period totaling over \$8.2 million to determine whether the Board effectively audited the claims before approving the disbursements for payment. Although all 200 claims were approved by the Board through the abstract listing, they were not deliberately audited by the entire Board. In addition, 107 claims totaling \$198,345 should not have been approved for payment as they were presented because they either did not have support to show they complied with statutory bidding requirements or the Village’s procurement policy (Figure 1) or lacked appropriate support and/or were an improper charge (Figure 2). One of these claims totaling \$700 was included in both figures because it did not comply with the procurement policy and lacked an itemized receipt.

Claims Requiring Competition – There were 107 claims (41 purchases to 26 different vendors totaling \$275,236) that required competition, either through the statutory competitive bidding process or in compliance with the Village’s procurement policy to obtain verbal or written quotes. The Board approved 79 claims (35 purchases totaling \$196,246) without evidence of compliance with statutory competitive bidding requirements or the procurement policy as follows (Figure 1):

Figure 1: Purchases Requiring Competition

Type of Competition	Total Purchases		Did Not Comply with GML or Policy		Complied with GML, Policy or Used State Contract	
	Number	Amount	Number	Amount	Number	Amount
Competitive Bids Required by GML	5	\$131,295	3	\$77,029	2	\$54,267
Three Written Quotes/RFP	10	91,459	7	68,986	3	22,473
Two Verbal Quotes	26	52,482	25	50,231	1	2,250
Total	41	\$275,236	35	\$196,246	6	\$78,990

- Statutory Competitive Bidding – Five purchases totaling \$131,295 required competitive bids based on GML Section 103 thresholds. While two purchases for liquid propane gas and road salt were purchased using State contracts, officials were unable to support the remaining three purchases totaling \$77,029 were competitively made.

- Procurement Policy – There were 36 purchases totaling \$143,941 that required quotes or requests for proposals (RFPs) in accordance with the Village’s procurement policy. While four purchases for gasoline, diesel fuel, heating oil and kerosene totaling \$24,723 were purchased using State contracts, officials were unable to support they sought competition for the remaining 32 purchases totaling \$119,217, including a bricklayer’s services; uniform and rug cleaning services; phone services; solid waste; garbage and sludge removal; a plow; furniture and nine different chemicals.

The DPW Superintendent and the WWTP Supervisor, both responsible for much of the Village’s purchasing activity, were not able to tell us the Village’s procurement policy requirements. Although they both told us they do obtain some quotes, neither were aware that the procurement policy required them to retain and submit this information with the claims. The Board approved these claims without ensuring compliance with statutory requirements and its own policy and, therefore, could not provide assurance that goods and services were procured in the most economical manner and in the taxpayers’ best interest.

Unsupported and/or Improper Claims – The Board approved 29 claims with amounts totaling \$2,800 that were unsupported and/or improper, as follows (Figure 2) (one of these claims, totaling \$700, was also included in Figure 1 because it did not follow procurement guidelines):

Figure 2: Unsupported and/or Improper Claims

Description	Number of Claims	Amount
Food and Alcohol Purchases	5	\$1,334
No Itemized Receipts Attached (Reimbursements)	6	1,123
Unsupported and Unable to Determine Whether Legitimate	1	214
Sales Tax Paid	17	129
Total Questionable Payments	29	\$2,800

There were five claims totaling \$1,334 with improper food and alcohol purchases not related to travel and seven claims totaling \$1,337 that were missing itemized vendor receipts. We were unable to determine whether one of these totaling \$214 for swim supplies paid with a credit card was a legitimate Village expenditure.

The other six reimbursement claims totaling \$1,123 lacked itemized receipts and were submitted by and paid to the Mayor, Clerk-Treasurer and the part-time clerk. The reimbursements were for items that would be legitimate Village expenditures. For example, the Mayor was reimbursed \$1,050 for a cabinet, desk and steel door support, which we located at the Village hall; however, since the claims did

not have vendor receipts attached, we could not determine whether the Mayor actually paid the amounts reimbursed. Additionally, the Clerk-Treasurer and the part-time clerk were reimbursed a total of \$73 for meals purchased while traveling to a conference. Although there were receipts provided, they were not itemized, so we could not determine whether they only purchased food. Additionally, there were 17 instances totaling \$129 of sales tax paid. The Board authorized these payments without requiring adequate support or checking the documentation attached to determine whether they were accurate and legitimate Village expenditures.

Paying claims without conducting a thorough audit by ensuring Village officials sought competition and complied with statutory and policy requirements, and the claims were properly supported with itemized receipts and for legitimate Village expenditures, increases the risk that improper or inaccurate payments could be made that are not in the taxpayers' best interest. We provided officials with claims and procurement guidance available in our publications titled *Improving the Effectiveness of Your Claims Auditing Process*¹ and *Seeking Competition in Procurement*.²

What Do We Recommend?

The Board should:

1. Conduct a thorough and effective audit of all claims prior to approving them for payment. Such an audit should ensure that all claims:
 - a. Contain sufficient supporting documentation such as itemized invoices or receipts and proof of competitive procurement if needed.
 - b. Are for legitimate and necessary Village expenditures.
 - c. Comply with statutory requirements and Village policies (e.g., procurement policy).
2. Discontinue paying credit card claims prior to Board audit and approval.
3. Ensure that Village personnel involved in the procurement process are aware of, and comply with, statutory requirements and the procurement policy.
4. Ensure that sales tax is not paid.

1 <https://www.osc.state.ny.us/local-government/publications/claims-auditing-process>

2 <https://www.osc.state.ny.us/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf>

Village officials should:

5. Comply with competitive bidding requirements and the procurement policy.
6. Retain documentation to demonstrate that competition was sought when procuring goods and/or services as required.

Appendix A: Response From Village Officials



Village of Stamford

84 Main Street, Stamford, NY 12167
Office: 607-652-6671 Fax: 607-652-3567
TDD: 800-662-1220

March 27, 2023

The Mayor, Board of Trustees, Treasurer and Staff of the Village of Stamford appreciate the time and effort made by the Audit Team to help the Village perform at a higher level during the performance of Claims Audit 2022M-197.

It is to be noted that all members of the Village government are truly doing their best to do what is right for the taxpayers of the Village of Stamford.

The Audit Team made the recommendations listed below:

The Board should:

1. Conduct a thorough and effective audit of all claims prior to approving them for payment.

Such an audit should ensure that all claims:

a. Contain sufficient supporting documentation such as itemized invoices or receipts and proof of competitive procurement if needed.

b. Are for legitimate and necessary Village expenditures.

c. Comply with statutory requirements and Village policies (e.g., procurement policy).

2. Discontinue paying credit card claims prior to Board audit and approval.

3. Ensure that Village personnel involved in the procurement process are aware of, and comply with, statutory requirements and the procurement policy.

4. Ensure that sales tax is not paid.

Village officials should:

5. Comply with competitive bidding requirements and the procurement policy.

6. Retain documentation to demonstrate that competition was sought when procuring goods and/or services as required

The Village of Stamford is an Equal Opportunity Employer
Complaints of discrimination may be filed with USDA
Director, Office of Civil Rights, 1400 Independence Ave.
Washington, DC 20250-9410 or call 800-795-3272 or
202-720-6382 (TDD)



Village of Stamford

84 Main Street, Stamford, NY 12167
Office: 607-652-6671 Fax: 607-652-3567
TDD: 800-662-1220

In consideration of these recommendations, The Village has taken or intends to take the following measures to improve operations:

1. The Village Treasurer has created, and the Board has approved, a credit card use policy. This was completed during the time of the audit when the shortcoming was noted.
2. The Village Treasurer followed the recommendation of the auditors by contacting the credit card company to change the due date to the end of the month. This did take two cycles to occur, but the credit card is now due later in the month and is being included with the abstract, rather than a pre-payment to the abstract.
3. The Village has revised its Procurement Policy to better facilitate the claims requiring statutory competitive bidding, as well as required quotes.
4. In addition to distributing to the impacted parties, The Village will complete a workshop reviewing requirements of the updated procurement policy and new credit card use policy to insure all are on the same page.
5. The audit process has made the Village Treasurer more cognizant of voucher inclusions as she prepares the abstract.

These changes coupled with additional and all-round better communication; we believe we will be more successful in serving the interests taxpayers of the Village of Stamford.

A note on one particular audit team comment on improper food and alcohol purchases. These are not the norm in the Village of Stamford and having a retirement event for an outgoing DPW Supervisor that provided 30 years of service to the taxpayers, or a thank you luncheon for the Foundation that provided a \$3.5 million dollar pool complex to the taxpayers of the Village, is both customary and the right thing to do.

Robert Schneider, Mayor of Village of Stamford

Charles 28 2013

Date

The Village of Stamford is an Equal Opportunity Employer
Complaints of discrimination may be filed with USDA
Director, Office of Civil Rights, 1400 Independence Ave.
Washington, DC 20250-9410 or call 800-795-3272 or
202-720-6382 (TDD)

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

- We interviewed Village officials and reviewed Board meeting minutes and the Board-adopted procurement policy to gain an understanding of the procurement and claims audit and approval processes.
- We used our professional judgment to select 200 claims (see next two bullets) totaling almost \$1.02 million out of 890 claims paid during the audit period totaling over \$8.2 million to determine whether the Board effectively audited the claims before approving the disbursements for payment.
- We used our professional judgment to select two months' (December 2021 and June 2022) abstracts that included 100 claims totaling \$800,544 based on the time of year to include holidays and fiscal year-end. We also selected three additional credit card claims totaling \$26,290, 12 claims to key employees totaling \$2,017, such as the Clerk-Treasurer, part-time clerk and Mayor and 11 other claims of unusual or personal type vendors such as office supplies, food and beverages and local stores, from our audit scope period totaling \$4,121. We traced these claims to bills, invoices, and supporting documentation to determine whether they were adequately supported, for legitimate Village purposes, mathematically accurate and effectively audited by the Board. For 17 of the goods purchased in our sample, we located the items on Village premises.
- We took the above sample of 126 claims and selected purchase amounts over \$500 that would require competition in accordance with the Village's procurement policy. We also expanded our review of claims to aggregate purchases over the course of the Village's fiscal year (June 1, 2021 through May 31, 2022) that could have required statutory competitive bidding. We excluded any claims/purchases related to the pool capital project as they were part of a separate audit. The resulting procurement sample consisted of 26 vendors with 41 purchases requiring competition including 107 claims totaling \$275,236. This sample included 33 claims from the 126 claims totaling \$91,158. We reviewed the claims to determine whether Village officials competitively bid, purchased from other publicly awarded government contracts and followed the procurement policy to obtain verbal or written quotes or to use RFPs.
- Additionally, we traced canceled check images included on the December 2021 and June 2022 bank statements back to the Board-approved abstracts to determine whether they had all been Board-approved.
- We checked all 11 credit card payments totaling \$62,404 during our audit period to determine whether they were paid prior to Board approval.

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.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/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.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/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

www.osc.state.ny.us/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

Serving: Broome, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga, Tompkins counties

osc.state.ny.us

