



Town of Worcester

Claims Audit

2022M-145 | February 2023

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Report Highlights

Town of Worcester

Audit Objective

Determine whether the Town of Worcester (Town) Town Board (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 not in the best interest of the taxpayers. In our sample of 199 claims totaling \$824,330, 166 claims totaling \$601,662 should not have been approved for payment. For example,

- 131 claims totaling \$597,410 were approved without evidence of compliance with competitive bidding requirements or the Town’s procurement policy.
- 11 claims totaling \$4,009 did not have appropriate support, such as an itemized receipt or invoice.
- 23 claims had sales tax totaling \$243.

Key Recommendations

- Perform a thorough and deliberate audit of claims and ensure each claim is adequately supported, for legitimate Town expenditures and complies with statutory requirements and the Town’s procurement policy before approving payment.
- Ensure that Town personnel involved in the procurement process are aware of, and comply with, statutory requirements and the Town’s procurement policy.

Town officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The Town, located in Otsego County, is governed by an elected five-member Board, which consists of the Town Supervisor (Supervisor) and four Board members.

The Board is responsible for the general oversight of the Town’s operations and finances, including auditing claims.

The Supervisor serves as the chief financial officer. The Supervisor hired a bookkeeper to assist with financial duties. During our audit, there were three different bookkeepers.

The Town has several department heads, including the Highway Superintendent, that are responsible for procuring goods and services.

Quick Facts

During the Audit Period	
Disbursements Paid	778
Non-Payroll Expenditures	\$2 million
Disbursements Reviewed	\$824,330

Audit Period

January 1, 2021 – May 31, 2022

Claims Audit Process

What Is an Effective Claims Audit Process?

An effective claims audit process ensures that every claim against the town 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 town policies; and the amounts represent actual and necessary town expenditures. The town board should ensure that the claim is mathematically accurate, for the correct amount and generally does not contain sales tax.

During the claims audit process, it is important for a town board to ensure that the town 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. New York State General Municipal Law (GML) Section 103 generally requires a town 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 year. In lieu of soliciting competitive bids, towns may use 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 town's procurement policy and procedures should ensure that competition is sought in a reasonable and cost-effective manner.

A town board is also required to annually review its procurement policy for procuring goods and services not subject to competitive bidding requirements. This annual review can help ensure that thresholds are current and appropriate to meet a town's changing needs.

The Board Did Not Effectively Audit Claims

We selected 199 disbursements totaling \$824,330 out of 778 disbursements paid during the audit period totaling approximately \$2 million to determine whether the Board effectively audited the claims before approving the disbursements for payment. Although all 199 were audited and approved by the Board, 166 claims totaling \$601,662 should not have been approved for payment as they were presented for audit because they either did not comply with statutory requirements or the Town's procurement policy (Figure 1) or they lacked appropriate support and/or were an improper charge (Figure 2).

Figure 1: Purchases Requiring Competition

Type of Competition	Total Purchases		Complied with GML or Policy		Did Not Comply with GML or Policy	
	Number	Amount	Number	Amount	Number	Amount
Competitive Bids Required by GML	10	\$490,024	2	\$105,254	8	\$384,770
Competitive Bids Required by Policy	7	95,989	0	0	7	95,989
Three Written Quotes or Requests for Proposals	11	107,209	1	5,861	10	101,348
Two Verbal Quotes	11	15,303	0	0	11	15,303
Total	39	\$708,525	3	\$111,115	36	\$597,410

There were 134 claims (39 purchases totaling \$708,525) that required competition, either through the statutory competitive bidding process or in compliance with the Town’s procurement policy to obtain written or verbal quotes. The Board approved 131 claims (36 purchases totaling \$597,410) without evidence of compliance with statutory competitive bidding requirements or the Town’s procurement policy as follows:

Statutory Competitive Bidding – Ten purchases totaling \$490,024 required competitive bids based on GML Section 103 thresholds. While a purchase for crushed stone was competitively bid and an excavator was purchased using a State contract, officials were unable to provide documentation to support the remaining eight purchases were competitively made. These purchases totaled \$384,770 and included paving equipment and supplies, diesel fuel, kerosene, stone, a wheel loader and a tractor.

Procurement Policy – The Board has not updated or revised the Town’s procurement policy since before 2007. The policy provides thresholds for competitive bidding and procedures Town officials must follow for the procurement of goods and services not subject to competitive bidding requirements. The policy also requires that all information gathered in complying with the policy be maintained and filed with the claim.

Seven purchases totaling \$95,989 required competitive bids based on the Town’s procurement policy thresholds, and 22 purchases totaling \$122,512 required quotes or requests for proposals. While one of these purchases for culvert pipes totaling \$5,861 was purchased using a State contract, officials were unable to provide documentation that they sought competition for the remaining 28 purchases totaling \$212,640, which included purchases of insurance coverage,

... [O]fficials were unable to provide documentation that they sought competition for ...28 purchases totaling \$212,640. ...

electricity supply, gasoline, liquefied petroleum gas, ice control salt, pool repairs, and highway road supplies and equipment.

Due to the lack of competition sought for fuel, we compared the purchases of various fuels (gasoline, diesel, kerosene and liquefied petroleum gas) to State contract prices in 2022 and determined the Town could have potentially saved \$4,360 and \$663 for diesel and kerosene fuel, respectively, as of May 31, 2022. Gasoline and liquefied petroleum gas prices were comparable to State contract prices. To obtain the rates offered through State contracts, Town officials would need to file necessary requirements with the New York State Office of General Services prior to the awarding of such contracts or receive agreement from a State contract vendor to be added to its delivery schedule after the awarding of such contracts.

The Supervisor was not able to tell us the Town's procurement policy requirements and was unaware that the Board was required to annually review the policy. The Highway Superintendent told us he does obtain quotes; however, he did not know that he was required to retain and submit this information with the Highway Department claims. The Board approved these claims without ensuring compliance with statutory requirements and its own policy and, therefore, cannot provide assurance that goods and services are procured in the most economical manner and in the taxpayers' best interest.

Unsupported and/or Improper Claims – The Board approved 36 claims with amounts totaling \$4,273 that were unsupported and/or improper as follows:

There were four payments to the former bookkeeper totaling \$3,043:

- Two payments totaling \$1,664 to train the new bookkeeper without any support attached to the claims proving the hours worked, and
- Two reimbursements totaling \$1,379 for annual financial software subscriptions lacked itemized receipts. After our audit, the Supervisor contacted the financial software company and was informed that the two payments were for another town's subscription that the former bookkeeper erroneously paid.

Board members told us they vaguely remembered that the new bookkeeper's training was taking place but did not know how many hours the former bookkeeper worked to train her. The Supervisor told us they did not question the former bookkeeper's reimbursements for annual software subscriptions, which happened two years in a row.

Figure 2: Unsupported and/or Improper Claims

Description	Number of Disbursements	Amount
To former bookkeeper to train new bookkeeper	2	\$1,664
To former bookkeeper for improper software subscriptions	2	1,379
Unsupported and unable to determine whether legitimate	7	966
Sales tax	23	243
Inaccurate claims (math error/check discrepancy)	2	21
Total Questionable Payments	36	\$4,273

There were seven purchases for parts for the Highway Department and office supplies totaling \$966 where we were unable to determine whether they were legitimate Town expenditures because they were missing itemized receipts.

Additionally, there were 23 instances of sales tax paid totaling \$243 and two instances where the Town paid \$21 more than what the documentation mathematically supported. The Board authorized these payments without requiring adequate support or checking the documentation attached to determine whether they were accurate and legitimate Town expenditures.

Paying claims without conducting a thorough audit by ensuring Town officials seek competition and comply with statutory and policy requirements and the claims are properly supported with itemized receipts, and are for legitimate Town 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. Seek reimbursement from the other town or the financial software company for the improper annual subscription payments.

1 [Improving the Effectiveness of Your Claims Auditing Process | Office of the New York State Comptroller](#)

2 [Local Government Management Guide - Seeking Competition in Procurement](#)

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2. 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 Town expenditures.
 - c. Comply with statutory requirements and Town policies (e.g., procurement policy).
 3. Annually review the procurement policy as required.
 4. Ensure that Town personnel involved in the procurement process are aware of, and comply with, statutory requirements and the Town's procurement policy.
 5. Ensure that sales tax is not paid.

Town officials should:

6. Comply with competitive bidding requirements and the Town's procurement policy.
7. Periodically compare prices to State contracts and contracts bid by other governments to help ensure purchases are cost-effective and in the taxpayers' best interest.
8. Retain documentation to demonstrate that competition was sought when procuring goods and/or services as required.

Appendix A: Response From Town Officials

Town of Worcester

Worcester Town Supervisor: Jeffery Wilcox
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1/15/2023

NYS Comptroller's Office
Ann C. Singer, Chief of Municipal Audits
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Dear Audit team of The NYS Comptroller's Office,

The Town of Worcester sincerely thanks the team of auditors that painstakingly went through a year and a half of payment vouchers and abstracts to determine if the Town followed General Municipal laws set by the state of New York and to verify that the Town of Worcester followed our procurement policy. The Town looked at the audit as an opportunity for improving operations and governance of the town.

It was pointed out early in the audit process that the procurement policy that the Town had in place was not updated since 2007, nor was it being adhered to. General Municipal law requires that the procurement policy be updated annually and adopted by the Board. As soon as this was pointed out, the Town worked expeditiously to update and approve an updated procurement policy at the next regular town board meeting. Spending limits were changed to be in line with the Town's needs while ensuring prudent and economical use of public money.

The audit also pointed out the lack of supporting documentation for claims submitted for payment as well as failure to comply with General Municipal Law 103 for purchases of supplies or equipment exceeding 20K. The town maintains that for some of the claims shown in the audit findings, the purchases are in fact from State or County Contract but lacked the required documentation.

The Town also has a unique situation that most towns or municipalities do not have; a Charitable Foundation that donates money annually upon request and approval from their board of trustees. Every year the Town requests funding from this foundation for various projects throughout the Town or for needed equipment. We have, up until this audit, chosen to use contractors or vendors that may live in the town or that we do business with regularly. It

was not known by the Town that we were required to seek competitive bids for projects and equipment from this donated money. Two of these projects were for safety issues and needed updates at the pool and the other was for a snow removal/lawn mowing tractor.

The audit mentions paving equipment, supplies and stone, which were purchased using NYS CHIPS money. Much of this was purchased under State contract but lacked the necessary documentation. The purchase of diesel fuel was purchased from a vendor that had a previous state contract; however, it was found during the audit to no longer have the state pricing contract. The purchase of a wheel Loader was purchased under state contract pricing but lacked the supporting documentation. Ice control salt for the roads was purchased under Otsego County's bid, but this purchase was not substantiated with proper documentation of "piggy-backing" on the County's bid.

With these findings, the Town will ensure moving forward that all purchases for material and equipment follows the Towns procurement policy and include all necessary documentation for any materials purchased under OGS state contract.

In regards to the unsupported and/or improper claims, after following up with the town's accounting software company, it was discovered that due to a bookkeeper change within the town, that a new town account was established and the previous account was not closed for which the town received multiple bills. These charges were supported by documentation but 2 of the charges (1 for the year 2021 and one for the year 2022) contained minimal billing information. The software company has reimbursed the Town for \$1,013.96 for the improper charges. The Town acknowledges that this should have been reviewed better and the claim for the old account should have been denied.

Additionally, the town no longer pays bills submitted for reimbursement that include any sales tax, or lack informative, descriptive paperwork for the item purchased. In the past these bills were from town officials or paid employees that used personal credit cards to pay for items that were needed from vendors that would not bill the Town of Worcester. The Town now has its own credit card, which is strictly guarded, and all purchases are approved by the board.

In closing, we feel the audit was a positive experience for the Town. The audit identified many areas that needed to be improved. The most important improvement that was needed was an update to the procurement policy, which has already been completed. This policy will be reviewed annually and will be strictly enforced and adhered to. All board members have been shown the proper audit of payment vouchers and all bills for payment are heavily scrutinized, we have also become familiar with the OGS website so we can verify that vendors we use are New York State approved vendors for purchases.

Thank you for your time and attention to the Town of Worcester, your audit team was truly professional and wonderful to work with.

Sincerely,

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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 Town 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 selected 199 disbursements totaling \$824,330 out of 778 disbursements paid during the audit period totaling approximately \$2 million to determine whether the Board effectively audited the claims before approving the disbursements for payment.
- We scanned bank statements and used our professional judgment to select 68 non-payroll canceled check images totaling \$27,436 including all 28 payments to the bookkeepers, 10 payments to other key employees such as the Supervisor and Town Clerk (Clerk), and 30 others that could be for personal use such as electric, fuel, Internet, local stores or unusual vendors from our audit scope period. We traced them to the bills and invoices and the Board-approved abstract of audited claims to determine whether they were adequately supported, for legitimate purposes, mathematically accurate and effectively audited by the Board. For 16 of the goods purchased in our sample, we located the items on Town premises.
- Out of 165 total vendors, we judgmentally selected 26 vendors with 137 disbursements totaling \$800,117 for 42 purchases. This sample included six disbursements from the above sample totaling \$3,223. We determined 39 purchases required competition including aggregate purchases over \$500 totaling \$708,525. We reviewed them to determine whether Town officials followed the Town's procurement policy and obtained verbal or written quotes, competitively bid, or purchased from other publicly awarded government contracts. We reviewed five items from nine of these purchases (diesel, kerosene, gasoline, ice control salt and liquefied petroleum gas) and compared them to State contract prices to determine whether Town officials could have realized cost savings by using the State contract.

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'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

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