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Village Police: 607-749-2022
Newton Water Works: 607-749-2511
Glenwood Cemetery: 607-749-3517
Streets and Parks: 607-749-3813
Recreation: 607-749-2161
Codes: 607-745-3177

AUDITING CLAIMS PROCESS

Policy Approved December 13, 2022

I. Overview

The audit of claims or vouchers is a standard internal control activity. In order to ensure that tax dollars are spent efficiently, it is essential that a thorough, deliberate, and independent audit of claims be conducted before payments are authorized. This policy is based on the guidelines issued by the Office of the State Comptroller (OSC).

A. Responsibility

- a. The Governing Body, the Board of Trustees, is responsible for auditing all claims and ensuring the process of auditing claims is designed to ensure tax payer dollars are spent efficiently.
- b. By having the Board of Trustees audit claims, two key functions are separated:
 - i. Management's purchase of goods and services
 - ii. Authorization of payment for purchased goods and services
- c. Due to the need for a strong claims auditing function, the Village of Homer Board of Trustees has chosen to delegate their responsibility for auditing claims and have established the position of claims auditors. At each year's Organizational meeting, the Village Board of Trustees will establish claims auditors whom will approve all claims. The claims auditors will have the authority to approve payments out of any of the Village's funds, even between Board meetings. All claims approved in between board meetings, will be presented for discussion at any Board meeting.

B. Claim's Auditor's Responsibilities

- a. Review of all claims to ensure tax payer dollars are spent efficiently.
- b. Claims reviewers need to determine the following:
 - i. Is the claim valid and legal? Is it for a legitimate Village purpose?
 - I. The claims auditor needs to ensure that all claims are for Village purposes, especially in regards to travel. Noneligible expenses are noted further in the Audit Claims Process.

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- ii. Are all purchases claims authorized and approved?
 1. All expenses claims need to be approved by the corresponding Department Head, and/or the Village Clerk or Village Treasurer. No claims should be approved without proper authorization.
 2. Are there sufficient appropriations to pay the claim?
 - a. No claims can be paid if there aren't budgetary funds.
 3. Is the claim mathematically correct?
 - a. All claims should be mathematically checked for reasonableness, ensuring calculations appear to be correct.
 4. Is the claim sufficiently itemized?
 - a. The claim should be itemized if more than one item is purchased, so that anyone unfamiliar with the transaction can follow it.
 5. Was the Procurement Policy Followed?
 - a. If the purchase is greater than the amount noted in the procurement policy, was competitive bidding followed? Are at least three bids attached?
 6. Was the purchase made using State, County, Federal, or other approved government contract?
 - a. If the purchase was made pursuant to a permissible government contract, the contract number and a copy of the approved government contract should be included?
 7. Is Sales Tax Charged?
 - a. As the Village is tax exempt, most purchases should not include tax. Exceptions are noted later in the policy.
 8. Has the claim been paid beforehand?
 - a. For vendors whom are used repeatedly, claims auditors need to ensure the invoice is original and ensure the payment hasn't been paid previously.
 - b. Aggregate past due amounts should not be paid. Details of any past due amounts should be received from the vendor before payment is made.
 9. Were the goods and services actually received?

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- a. Documentation of the receipt of goods should be included. Documentation could include receiving slips, emails from vendors, or sign offs by employees.
 - c. Once the claim is approved by the claim's auditor, then the purchase order or voucher should be signed by the claims auditor noting approval to pay the claim.
 - d. All claims should be traced to the abstract ensuring the claim is listed on the abstract for the amount approved by the claims auditors.
 - e. Any claim not approved to be paid or approved for partial payment, should be reviewed again when all documentation is received.
- C. Claims Red Flags
- a. Any claim with a red flag, noted below, should be further examined. If the following items are noted, additional explanations must be presented in writing by the employee requesting the payment. Claims Auditors, or the Board of Trustees, must then approve the claim and initial the claim as approved for payment.
 - b. Red Flags Include:
 - i. Missing documentation
 - ii. Unavailability of original documents
 - iii. Recurring identical amounts from the same vendor
 - iv. Multiple remittance addresses for the same vendor
 - v. Inconsistent, vague, or implausible responses resulting from inquiries or analytical procedures
 - vi. Excessive voids or credits
 - vii. New Vendors, especially if payment goes to a PO. All New Vendors need to submit a W9.
 - viii. Items purchased that are not clearly identified.
 - ix. Goods delivered outside of a central location or unusual delivery point.
 - x. Credit Card Charges without an original receipt except for annual credit card fees.
 - xi. Travel and Conference Claims should be reviewed according to the Employee Reimbursement Policy.
 - xii. Altercations or questionable handwriting on submitted documents.
 - xiii. Duplications
 - xiv. Payments to a vendor that have increased dramatically for no apparent reason.

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- xv. Payments to vendors for construction work not certified as complete.
 - xvi. Unusual delays in providing requested information
 - xvii. Tips or Complaints on fraud.
- D. Analytical Review of Claims
- a. Claims Auditors need to be cognizant of the following:
 - i. Increase in utility usage (consumption)
 - ii. Telephone and Cell Phone Expenditures
 - iii. Increase in expenditures for consumable inventory, such as office or food supplies
 - iv. Increase in expenditures for moveable items, such as technology equipment (computers and printers) and maintenance equipment (tools, lawn mowers, fuel, etc.)
 - v. Items in aggregate exceed competitive biddings and should be acquired through competitive bidding.
- E. Village Treasurer Office Responsibilities
- a. Documentation and receipts of all Village expenses should be submitted to the Account Clerk who prepares all claims for Audit.
 - b. Once prepared by the Account Clerk Typist, Department Heads, the Village Clerk, and the Village Clerk Treasurer review all claims before review by the claims auditor, ensuring claims are necessary expenses, items are received, invoices are current, and budgetary funds exist for the item. All claims are initialed as approved by the corresponding Village Management before the claims auditors review invoices.
 - c. Once claims are approved, the Account Clerk Typist prepares the remittances to the Vendors per the Approved Cash Policy.
- F. Payments not Requiring Pre-Audit
- a. The following payments due to require pre-audit before making the payment
 - i. Fixed salaries or officers or employees regularly engaged at agreed-upon wages by the hour, day, week, month, year, or other authorized period, including any payroll withholdings.
 - ii. Principal or interest payments on debt
 - iii. Payments made pursuant to a court order
 - iv. Amounts due upon lawful contracts for periods exceeding one year
 - v. Retirement contributions by participating employer in New York State and Local Retirement System as billed by the State Comptroller.

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- b. These payments should not be included on the abstract
- G. **Payments Allowed in Advance of Audit**
 - a. During the Organizational meeting, the Village of Homer Board of Trustees must authorize any payments approved to be made in advance of audit, known as prepaids.
 - b. The following expenditures can be approved in advance of the audit and included as prepaids:
 - i. Public Utilities, including electric, gas, water, sewer, internet, and telephone services
 - ii. Postage
 - iii. Freight
 - iv. Express Charges
 - v. Petty Cash Funds
- H. **Unallowable Costs on Audits**
 - a. Sales tax for any items except for meals, food, and travel costs.
 - b. Alcohol or tobacco purchases.
 - c. Payment of Spouse or other non-employee costs.
 - d. Extension of trips for personal reasons
 - e. Any costs with missing or insufficient documentation of expense even if the expenditure was for Village purposes.
 - f. Lack of detailed mileage log noting trip dates, mileage, location, and purpose.
 - g. Fines, penalties or traffic violations while traveling on Village business
- I. **Policy Review and Updates**
 - a. **Timeline for Policy Review**

This policy shall be reviewed 12 months after initial adoption and at least once every 3 years thereafter by the Board of Trustees.