

# Town of Lincoln

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## Disbursements

**2022M-198 | April 2024**

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# Report Highlights

## Town of Lincoln

### Audit Objective

Determine whether the Town of Lincoln (Town) Town Board (Board) and Town Supervisor (Supervisor) ensured that disbursements were supported and approved.

### Key Findings

The Board and former Supervisor did not ensure that disbursements were adequately supported and properly approved.

- The former Supervisor received 13 check payments, totaling \$5,142, that were not adequately supported. Also, three of these payments totaling \$2,605 were not audited and approved by the Board.
- Claims totaling \$109,158 were improperly paid prior to Board audit, and claims totaling \$533,518 were improperly audited and approved by the former Supervisor rather than the Board.
- Thirteen claims, totaling \$23,116, did not contain sufficient supporting documentation.
- The former bookkeepers did not maintain time records to support the hours for which they were paid and one bookkeeper received \$1,751 in additional pay with no evidence of approval.

### Key Recommendations

- Consult with legal counsel about the unsupported claim payments to the former Supervisor and the additional payroll payment to the former bookkeeper and seek recovery of these funds, as appropriate.
- Audit and approve claims prior to payment when required and ensure all claims include adequate support before approving them.

Town officials agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

### Audit Period

January 1, 2020 – December 31, 2021

### Background

The Town is located in Madison County and is governed by an elected Board composed of the Supervisor and four Board members.

The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor serves as the chief fiscal officer.

The current Supervisor's term began on January 1, 2022, and the former Supervisor's term ended on December 31, 2021. A bookkeeper assisted the former Supervisor with recording and reporting financial transactions and the Town engaged an accounting firm to process the payroll. One bookkeeper retired during our audit period in July 2021 and was replaced by another bookkeeper. Since February 2022, the Town contracts with an outside vendor for bookkeeping and payroll services.

#### Quick Facts

2022 Appropriations	\$868,700
Population	1,802
Number of Employees	13
During the Audit Period	
Claims Paid	\$1,832,425
Payroll Expenditures	\$452,500
Number of Claims	802

# Disbursements

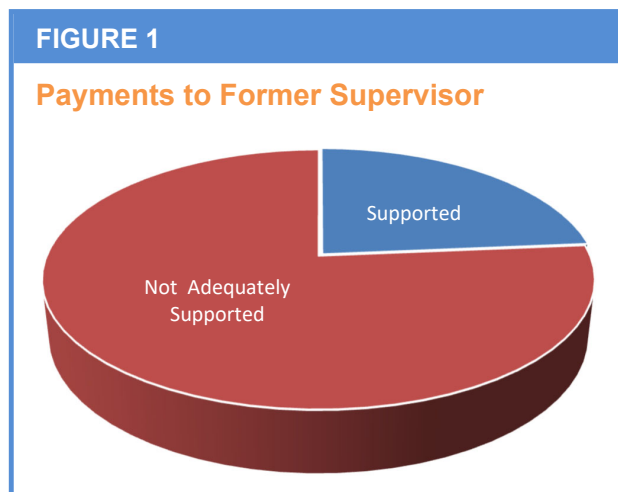
## What is an Effective Claims Audit Process?

An effective claims audit process helps ensure that tax dollars are spent efficiently and in the best interest of taxpayers. A town board should conduct a thorough and deliberate audit of claims before payments are authorized by reviewing each claim to ensure it contains sufficient supporting documentation (i.e., itemized invoices or receipts), there is evidence that the goods and services have been received, it is for a legitimate and necessary town expenditure and that policies and procedures were followed. New York State Town Law (Town Law), Section 118 generally requires the town board to audit all claims before payment. However, a town board, by resolution, may authorize payment in advance of the audit of claims for public utility services, postage, freight and express charges. Such claims should be presented at the next regular town board meeting for audit.

## Claims Paid to the Former Town Supervisor Lacked Support and Board Approval

The bookkeepers prepared claims for payment by attaching vendor invoices and supporting documentation to a voucher page that included claim details such as description, amount, vendor and budget codes. The bookkeepers generated the monthly abstract (list of claims) and provided it to the Board along with the claims for review and approval. Each Board member generally signed either the abstract or individual claims indicating authorization to pay the claims. After Board approval, the former Supervisor signed the checks.<sup>1</sup>

We reviewed all 19 payments made to the former Supervisor during the audit period totaling \$6,735 to determine whether payments were for proper purposes, adequately supported and properly approved. Thirteen of these payments totaling \$5,142 (76 percent) were made without adequate supporting documentation (Figure 1) and three of these payments totaling \$2,605 had no evidence of Board approval.



<sup>1</sup> The former Supervisor paid some claims prior to the Board's approval (see the section titled *The Claims Audit and Approval Process Was Not adequate*).

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Ten of the 13 payments, totaling \$2,328, had no claim on file. Therefore, Town officials were unable to identify what the payments were for. The remaining three payments, totaling \$2,814, included only a voucher page and no vendor receipts for supporting documentation.

Included among the three payments was a \$2,492 check that the former Supervisor wrote to herself at the end of her term on December 31, 2021.<sup>2</sup> The current Supervisor told us she noticed this payment handwritten at the bottom of the final 2021 abstract, which had not yet been approved by the Board. The check had already cleared the bank by the time the Supervisor noticed the payment. The Supervisor told us she did not identify any support for this payment and requested the claim from the former Supervisor. The former Supervisor responded with a text message that included an image of the voucher page with no supporting receipts. The voucher showed the payment was for reimbursement to the former Supervisor for the purchase of eight folding tables (\$2,090), a wireless speakerphone and cord (\$246), and a 125th celebration time capsule (\$156). During our audit, the former Supervisor provided us with invoices totaling \$2,090 for the folding tables but did not provide documentation supporting the remaining items. The Supervisor and a Board member told us they observed that the wireless speakerphone and time capsule were present at the Town. Also, after we shared the invoice showing the description and model number of the folding tables, the Supervisor confirmed the folding tables are located at the Town hall.

The Supervisor also identified a \$375 payment to the former Supervisor's daughter handwritten on the same abstract with no supporting claim available. The Supervisor requested the claim from the former Supervisor who responded with a text message that included an image of a voucher page. The voucher indicated the former Supervisor's daughter worked 25 hours at a rate of \$15 an hour in May and June 2021 to assist the retiring bookkeeper with filing and organizing her office. The Supervisor told us that she placed a stop payment on the check because the former Supervisor's daughter was not a Town employee.

Both the Supervisor (who was a Board member in 2021) and another Board member recall the former Supervisor asking the Board if the Town could pay her daughter to assist the outgoing bookkeeper and the Board denied the request because she was not a Town employee. We reviewed Board meeting minutes and found no Board discussion of this matter or evidence that the Board approved or denied this request.

The Supervisor and Board member also told us they were aware that the former Supervisor had submitted unsupported reimbursement claims in the past and acknowledged that they rarely questioned these claims and approved them anyway. The Supervisor and Board member told us if questions did arise, the

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<sup>2</sup> This check cleared the bank on January 3, 2022.

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former Supervisor would verbally tell Board members what the claim was for but would not provide any supporting documentation. However, the Board should not have approved claims which lacked the support needed to substantiate that the payments were for proper Town charges.

Because the former Supervisor's claims often lacked adequate supporting documentation and were not always audited and approved by the Board, there is an increased risk that the payments were not for legitimate Town purposes or for the proper amount of reimbursement.

### **The Claims Audit and Approval Process Was Not Adequate**

The Board passed a resolution authorizing payment of allowable claims (public utilities, telephone and postage) in advance of the Board's audit. The former Supervisor routinely paid these claims prior to the monthly Board meetings and the bookkeeper included the claims on the next month's abstract, which was presented to the Board for approval. However, the former Supervisor also regularly paid other claims each month that were not permitted to be paid prior to Board audit.

Based on our review of all abstracts for the audit period, the former Supervisor improperly paid claims totaling \$109,158 prior to Board audit and approval that were not allowed by Town Law, Section 118, including:

- \$42,000 of payments related to health insurance coverage for Town employees,
- \$8,100 for architectural services,
- \$5,600 in heating, ventilation, and air conditioning (HVAC) services and
- \$3,000 for attorney services.

The Supervisor and another Board member told us that they were unaware that these claims should not be paid in advance of Board audit.

In addition, the Board did not audit and approve claims totaling \$533,518 that were paid during four months of our audit period (April and December 2020, and January and February 2021). These claims were only audited and approved by the former Supervisor and no other Board members. This significantly weakened internal controls because the former Supervisor approved the payments and prepared and signed checks without any oversight or review by other Board members to ensure the payments were supported and proper.

Board members told us that the former Supervisor did not provide them with the claim vouchers for these months and told them that an Executive Order (EO) made it permissible for only the Supervisor to audit and approve the claims. Due to the COVID-19 pandemic (pandemic), the Board held virtual meetings in April

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...[T]he former Supervisor improperly paid claims totaling \$109,158 prior to Board audit and approval that were not allowed by Town Law. ...

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and December 2020 and a combination of in-person and virtual meetings in January and February 2021. While the Governor of the State of New York issued EOs that suspended certain requirements during the pandemic, there was no EO that suspended or modified the requirement for town boards to audit and approve claims. Therefore, the former Supervisor had no authority to unilaterally audit and approve the claims during these months.

We reviewed 140 claims, totaling \$526,146,<sup>3</sup> to determine whether they were adequately supported by sufficient documentation and were for valid Town purposes. We identified 13 claims, totaling \$23,116, that did not contain sufficient support for the Board to determine whether these claims were for proper Town purposes. For example, \$8,122 was paid to architects, \$5,595 to an HVAC contractor and \$5,513 to Madison County with the claims lacking itemized invoices or receipts, or a contract to support the payments made. The remaining 127 claims totaling \$503,030 were adequately supported and for valid Town purposes.

Board members explained they often felt rushed for time while reviewing claims during the Board meetings, so they did not always ensure sufficient documentation was provided for each claim. When Town officials do not ensure that all claims are adequately supported and the Board does not conduct a thorough and effective audit of claims before they are paid, there is an increased risk that the Town could incur unnecessary costs or pay for goods and services that were not actually received or were not for proper Town purposes.

### **How Should Time Records Be Maintained and Payrolls Disbursed?**

Detailed time records should be prepared by employees to document the dates and hours worked and the starting and ending times. The time records should be reviewed by supervisory personnel who have direct contact with the employee and should serve as a basis for determining payroll payments made to employees.

Payroll registers or similar records should be reviewed and independently certified (signed) to provide oversight of the payroll process and allow town officials to detect unusual or inaccurate payments requiring further investigation before checks are distributed. A town supervisor, as the chief fiscal officer, is responsible for signing payroll checks. Because signature stamps can be easily replicated and used without authorization, a town supervisor should not allow checks to be signed using a signature stamp.

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<sup>3</sup> Refer to Appendix B for information on our sampling methodology. We did not include payments to the former Supervisor in this sample because we tested them separately.

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## **The Former Bookkeepers Did Not Maintain Time Records and the Former Supervisor Allowed an Accounting Firm to Sign Checks**

The Town contracted with an accounting firm to process the payrolls. The Highway Superintendent reviewed the time sheets prepared by his hourly employees and the former Supervisor approved the time records completed by the Deputy Town Clerk, who was also paid an hourly wage. However, the former bookkeepers, who were both part-time hourly employees, were not required to, and did not maintain time sheets or any other time records showing the hours they worked. They called the accounting firm to provide the total hours worked for the month. During our audit period, the bookkeepers received combined gross wages totaling \$16,907.

Accounting firm personnel processed the payrolls, prepared the payroll checks and affixed the former Supervisor's signature to the checks using a rubber signature stamp. The former Supervisor routinely reviewed and signed the payroll journals generated by the accounting firm, which showed gross and net pay, deduction amounts, and the total hours worked by employees (if paid hourly).

For salaried officers and employees, we compared the annual amounts paid in 2021 totaling \$124,591 from the payroll journals to Board-approved salaries. For hourly employees, we selected two months from the payroll journals (July and December 2021), totaling \$22,113, to determine whether the amounts paid were adequately supported by time sheets and pay rates were Board approved. The gross pay amounts paid to officers and employees were accurate and supported, except for the payments made to the former bookkeepers, which had no supporting time records (one bookkeeper worked in July 2021 and the other worked in December 2021).

In addition, one bookkeeper received a payment of \$1,751 in December 2021 that was in addition to the regular monthly gross pay that she consistently received. The former Supervisor did not sign the payroll journal for this month and the former Supervisor's signature was affixed to the payroll check by the accounting firm using the rubber signature stamp. Therefore, there is no indication the former Supervisor authorized the payment.

The accounting firm provided an email showing it asked the former bookkeeper for clarification as to the reason for the additional pay. The bookkeeper stated the additional pay amount was for work she performed before officially starting the position of bookkeeper. The former Supervisor told us she was not aware the bookkeeper received this additional pay; however, she felt the bookkeeper was entitled to it because she was trained by the former bookkeeper prior to her appointment and was not previously compensated for that time. However, there was no documentation showing the hours worked and no authorization for the additional payment.



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When time sheets or records of hours worked are not maintained, there is an increased risk that employees could be paid for time not worked. In addition, the lack of review and approval of payroll journals before funds are disbursed and the use of the Supervisor's signature stamp by others to sign checks weakens internal controls over cash disbursements and increases the risk that errors or irregularities could occur and not be detected.

Since taking office in January 2022, the Supervisor signs the checks by hand and does not allow others to sign checks with her signature.

### **What Do We Recommend?**

The Board should:

1. Consult with legal counsel about the \$2,605 in unauthorized claim payments to the former Supervisor and the additional \$1,751 payroll payment to the former bookkeeper and seek recovery of these funds, as appropriate.
2. Conduct a thorough and effective audit of all claims prior to approving them for payment ensuring that all claims contain sufficient supporting documentation.
3. Ensure only claims allowed by law are paid prior to Board audit.
4. Require all hourly employees to maintain detailed time records.

The Supervisor should:

5. Only pay claims that have been audited and approved by the Board, unless otherwise provided by law.
6. Review and approve payroll journals before funds are disbursed and sign Town checks by hand.

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When time sheets or records of hours worked are not maintained, there is an increased risk that employees could be paid for time not worked.

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# Appendix A: Response From Town Officials

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Town of Lincoln  
6886 Tuttle Rd  
Canastota, NY 13032

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March 29, 2024

██████████  
Principal Examiner  
Office of the New York State Comptroller  
Division of Local Government & School Accountability  
PSU-CAP Submission  
110 Albany, NY 12236

Dear ██████████,

The purpose of this letter is to acknowledge the Draft Report of the recent audit of the Town of Lincoln, entitled Disbursements (2022M-198).

The Lincoln Town Board sincerely appreciates the time, effort, and professionalism demonstrated by the Comptroller's Auditors. We recognize the thoroughness and dedication they exhibited throughout the audit process.

We will be consulting with legal counsel to seek funds, as appropriate in regard to the findings of the audit. Since February 2022, we have implemented workshops prior to Town Board Meetings to allow adequate time for board members to conduct thorough and effective audit of all claims prior to approving them for payment and ensuring that all claims contain sufficient supporting documentation. All hourly employees are currently maintaining detailed time records. As the new Supervisor as of 2022, I only pay claims that have been audited and approved by the board unless otherwise provided by law. Since 2022, all of the town checks are signed by hand and the Town Board annually audits the Town Clerk's financial records.

To ensure the Town's continued financial integrity and accountability, it is imperative that we uphold best practices moving forward (since 2022). By adhering to established guidelines and implementing more robust internal controls, we can safeguard taxpayer funds, mitigate risks, and maintain transparency in our operations. Upholding best practices not only fosters trust within our community but also ensures efficient and effective management of the Town's resources for the benefit of all stakeholders.

We appreciate the chance to address the recommendations outlined in the Draft Report. Our aim is for the Town's corrective action plan to meet your expectations and be deemed suitable and pertinent.

Sincerely,

Melissa During, Supervisor Town of Lincoln

## Appendix B: Audit Methodology and Standards

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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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials to gain an understanding of controls over cash disbursements.
- We reviewed all 19 check payments and supporting claims (if available) payable to the former Supervisor totaling \$6,735 to determine whether they were for proper purposes, adequately supported and properly approved.
- We reviewed all monthly abstracts (listing of claims) during the audit period to identify payments made prior to Board audit and determine whether the payments were allowed to be paid in advance of the audit of claims.
- We reviewed all monthly abstracts and corresponding claim vouchers during the audit period to identify evidence of Board audit and approval.
- We tested a random sample of 80 claims, totaling \$262,698 which we selected using a computerized spreadsheet function, to determine whether they were adequately supported by sufficient documentation and were for valid Town purposes.
- We used our professional judgment to select a sample of 60 claims totaling \$263,448 to test for the same parameters as in our random test sample. We selected claims that posed a higher risk for inappropriate expenditures, including payments to Board members or other officials, unrecognized vendor names, purchases from vendors that were potentially unrelated to Town operations and payments of claims that were not approved by the Board.
- For all salaried employees, we traced the salaries paid in the 2021 payroll journals to the salary schedule in the adopted budget. For hourly employees, we judgmentally selected two months of payrolls to determine whether amounts paid were adequately supported by time sheets and pay rates were Board approved.

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.

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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 must 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 Town Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/fiscal-monitoring](http://www.osc.ny.gov/local-government/fiscal-monitoring)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/resources/planning-resources](http://www.osc.ny.gov/local-government/resources/planning-resources)

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

[www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.ny.gov/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.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/academy](http://www.osc.ny.gov/local-government/academy)

## Contact

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