



Village of Asharoken

Claims Audit and Treasurer's Duties

2025M-82 | March 2026

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Audit Results



Village of Asharoken

Audit Objective	Audit Period
Did the Village of Asharoken (Village) Board of Trustees (Board) ensure that non-payroll disbursements were properly audited and the Village Treasurer's (Treasurer) financial duties were monitored?	June 1, 2023 – December 6, 2024
Understanding the Audit Area	
<p>The audit of claims is often the last line of defense for preventing unauthorized, improper or fraudulent claims from being paid. When a local government has a strong claims auditing process, the control consciousness of its staff is enhanced because officers and employees are aware that a careful review of claims will occur before public funds are disbursed. Because it is the Board's responsibility to ensure tax dollars are spent properly, efficiently and in the best interest of taxpayers, the Board should conduct a thorough and deliberate audit of all claims before authorizing a claim to be paid, ensure strong internal controls are established and working as intended and monitor the Treasurer's financial duties.</p> <p>During the audit period, the Village processed a total of 685 non-payroll disbursements totaling approximately \$2.36 million and performed 78 bank transfers totaling approximately \$7.1 million.</p>	

Audit Summary

The Board did not always conduct a thorough and deliberate audit of each individual claim for non-payroll disbursements we reviewed because the claims presented for audit did not always include the necessary supporting documentation. As a result, there is an increased risk that the Village may pay more than necessary or that improper claims could be paid without being detected, irregularities could go undetected and unauthorized claims could be paid. The Board's failure to monitor and review bank reconciliations and bank transfers prepared by the Treasurer and user account activity reports increased the risk of unauthorized or inappropriate transactions going undetected. Furthermore, the Board did not ensure that users did not share access to the financial software. With shared access, accountability is diminished, and any questionable system activity may not be traceable to a specific user.

The Board did not ensure that all non-payroll disbursements were properly audited. We reviewed 232 disbursements totaling \$877,625 and although these disbursements were all for valid and appropriate Village purposes, we determined that 51 disbursements totaling \$69,707 were not properly audited. These 51 disbursements included 52 discrepancies¹ such as invoices and vouchers not attached to claim packets, vouchers missing signatures, late fees, and disbursements missing from listings of claims that had no evidence of being audited by the Board. Additionally, four disbursements to the financial software vendor totaling \$2,136 were withdrawn directly from the Village's bank account by the vendor, of which three of the disbursements totaling \$1,539 were not audited by the Board.

In addition, we reviewed all 19 listings of claims, totaling \$2.34 million of disbursements, and determined that 18 listings did not include check numbers and check dates. The Board also adopted resolutions to approve disbursements, and all 19 resolutions included the dollar amount. However, 14 of the resolutions did not specify the range of check numbers.

Although the Board provided some compensating controls for the Treasurer's financial duties, the Board did not adequately monitor the Treasurer's financial duties by:

- Reviewing bank reconciliations performed by the Treasurer, as required by Village policy,
- Reviewing bank transfers, and
- Ensuring that each financial software user had their own access.

After we brought these matters to the attention of the Mayor, Clerk and Treasurer in August 2024, officials implemented changes to their claims audit process, monitoring disbursements and financial software user account access. However, we subsequently identified ongoing issues such as invoices missing from claims packets, late fees being incurred and paid, and bank reconciliations not being reviewed.

The report includes eight recommendations that, if implemented, will improve the Board's auditing of claims and oversight of the disbursements process. Village officials disagreed with certain aspects of our findings but indicated they plan to initiate corrective action. Appendix C includes our comments on issues raised in the Village's response letter.

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 (GML). Our methodology and standards are included in Appendix D.

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 GML. 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 Village Clerk's office.

¹ One disbursement totaling \$2,000 was repeated in more than one discrepancy category.

Claims Audit and Treasurer’s Duties: Findings and Recommendations

A board of trustees is responsible for auditing all² claims by ensuring an independent, thorough and deliberate review is performed before disbursements are authorized and made. Claims or vouchers that support disbursements should be attached and include itemized invoices or receipts with enough detail to enable the board of trustees to determine whether proposed disbursements are proper and valid charges. Further, the minutes of the board meetings should reflect what claims have been audited and should also indicate the specific claims that the board of trustees approved for payment, and the total amounts approved by fund.

It is important that the board of trustees’ authorization to pay claims is documented in a listing of all claims audited and approved for payment. Village officials designated to prepare the listing of claims should verify that all claims listed have been audited and approved for the amounts listed. Because electronic fund transfers do not normally go through the accounts payable cycle and are sometimes not immediately recorded in the financial records, procedures should be established to document and report all electronic fund transfers and disbursements.

The board of trustees is responsible for overseeing the village’s disbursement activities. The board of trustees should ensure that no one person controls all aspects of a financial transaction or consider implementing compensating controls.

More details on the criteria used in this report, as well as resources available to local officials that can help officials improve operations (Figure 2), are included in Appendix A.

Finding 1 – The Board did not ensure that non-payroll disbursements were properly audited.

The Board did not properly audit non-payroll disbursements by ensuring that all claims were supported, had vouchers with the required signatures and were included on a listing of claims. We reviewed 232 non-payroll disbursements totaling \$877,625 for the months of September, October and November for the fiscal years 2023-24 and 2024-25 which consisted of 224 disbursement checks generated from the financial software totaling \$839,537 and eight disbursements made by handwritten checks totaling \$38,088. Although all 232 non-payroll disbursements examined were valid and appropriate Village expenditures, we identified 52 discrepancies totaling \$63,134 (Figure 1) from 51 disbursements,³ totaling \$69,707.

2 New York State Village Law (Village Law) indicates that the board of trustees may, by resolution, authorize payment for public utility services, postage, freight, and express charges in advance of audit. The claims for advance payments must be presented at the next regular board meeting for audit.

3 One disbursement totaling \$2,000 was repeated in more than one discrepancy category.

Figure 1: Disbursement Discrepancies

Type of Discrepancy	Fiscal Year 2023-24		Fiscal Year 2024-25		Audit Period Totals	
	Count	Dollar Value	Count	Dollar Value	Count	Dollar Value
Vouchers Missing Signatures	18	\$29,182	1	\$4,054	19	\$33,236
No Invoice or No Support	13	12,411	6	1,048	19	13,459
Late Fees	6	73	4	26	10	99
Missing from Listing of Claims	3	14,340	0	0	3	14,340
No Vouchers	1	2,000	0	0	1	2,000
Totals	41	\$58,006	11	\$5,128	52	\$63,134

The Mayor, Clerk and Treasurer provided reasons for the discrepancies, as follows:

- The Clerk stated that Village officials have maintained long-standing relationships with certain vendors, like the Village Attorney, and therefore did not see the need to attach invoices or any other supporting documentation to these recurring claims.
- The Clerk and the Treasurer told us that the missing signatures on vouchers were due to an oversight.
- The Clerk said the late payments resulted from the timing of the claims audit and payment.
- The Clerk explained that a combination of factors resulted in claims not being included on the listings of claims (See Finding 2 – Handwritten Checks for additional details).
- The Mayor stated the \$2,000 disbursement without a voucher was for a time-sensitive construction project that was approved by the Board. However, we determined the documentation for the disbursement supports another disbursement to the same professional service provider (See Finding 2 – Handwritten Checks for additional details).

Although the Board has implemented new procedures to its claims audit process and authorized certain claims to be paid in advance of the Board’s claims audit,⁴ issues with the claims audit process still exist. When the Board does not conduct a thorough and deliberate examination of each individual claim and the supporting documentation and document the claims approved for payment, there is an increased risk that officials may pay more than necessary or that improper claims could be paid without being detected.

⁴ Village Law, Section 5-524

Recommendations

The Board should:

1. Conduct a deliberate and thorough audit of all non-payroll disbursements prior to payment.
2. Ensure all claims contain sufficient supporting documentation to support the disbursements.
3. Ensure that claims are paid in a timely manner.

Finding 2 – The listings of claims lacked sufficient information and did not always include all claims.

During the audit period, the Village transitioned to a new financial software application, resulting in inconsistencies in the listings of claims. We reviewed all 19 listings of claims, consisting of the two abstracts, the one check detail report and 16 unpaid bills reports, which accounted for disbursements totaling \$2.34 million. The two abstracts and 16 unpaid bills reports did not contain sufficient information such as check numbers and check dates. The Treasurer stated that the unpaid bills report cannot display check numbers and check dates because the Treasurer enters this information when creating the check run, which is not completed until after the Board meeting when the bills are reviewed and approved for payment.

Although all 19 Board resolutions we reviewed cited the total dollar amount of the approved disbursements, 14 of 19 resolutions did not include the range of check numbers. After we brought this to the attention of the Mayor, Clerk and Treasurer, starting with the August 6, 2024 Board meeting, the Board resolutions included the range of check numbers.

During the audit period, the total amount on the Village's listing of claims reconciled to the dollar amounts reported in the minutes of the Board's meetings. However, for the same period, disbursements recorded in the Village's financial records were over \$15,000 more than the Board approved. We determined there were eight disbursements totaling \$16,776 that were recorded in the financial records but were not included in the listings of claims. There was no evidence that six of the eight disbursements totaling \$15,879⁵ were audited and approved by the Board prior to payment. The disbursements were as follows:

Handwritten Checks – One handwritten check totaling \$11,750 was issued to a vendor on June 23, 2023 as a second payment towards the Village's annual holiday fireworks display. However, this payment was not included on a listing of claims, and hence was never audited by the Board. The

⁵ The six disbursements include the two handwritten checks for \$11,750 and \$2,000, three electronic payments for \$1,539 and the reissued computer-generated check of \$590. Three of these disbursements totaling \$14,340 were also documented in Finding 1 (Missing from Listing of Claims).

Treasurer stated this was an oversight on her part and believes she entered the payment into the system after performing her bank reconciliation. The Clerk added that a combination of factors such as being new to the Clerk position, extended absence due to illness, and the Village's tax collection period, resulted in the payment being left off the listing of claims. We reviewed the Board meeting minutes and confirmed the Board approved a five-year contract with the fireworks vendor at its April 2020 meeting. Village Law does authorize certain payments to be made without prior audit, including payments on lawful contracts for periods exceeding one year. However, the general obligation for the Board to audit continues and the Board is still responsible for auditing the claim after the contractual payment has been made. Therefore, although the payment made to the fireworks vendor was for a valid claim, the claim should have subsequently been audited by the Board.

Another handwritten check totaling \$2,000 was issued to a service provider as a deposit for a construction project and was not reported on a listing of claims or approved by the Board. The Mayor said a handwritten check was used because the service provider requested a deposit in order to obtain the necessary materials to begin the Village's Board-approved sea wall project which was time-sensitive as well as a safety issue for the public. Circumventing the controls established with the use of the financial software in place to detect or prevent payment to an unauthorized payee or the disbursement of suspicious dollar amounts should be limited.

Electronic Payments – We identified four disbursements totaling \$2,136 recorded in the financial software issued to the Village's accounting software vendor via electronic funds transfer that were not on a listing of claims. The four disbursements included the annual fees charged by the accounting software vendor, along with two disbursements for check stock and envelopes. The Clerk and Mayor explained that after the Village decided to transition to another accounting software system, the Treasurer established the account and ordered check stock and envelopes because the existing check stock from the previous accounting software was not compatible. The Board authorized the payment of the initial annual fee to the accounting software vendor in an amount not to exceed \$600 in the first year, but it did not authorize subsequent payments consisting of three disbursements totaling \$1,539, one disbursement for an annual fee in the ensuing year totaling \$649, and two disbursements totaling approximately \$890 to obtain the check stock and envelopes.

The Treasurer explained that the accounting software vendor's payment method is to withdraw funds directly from the bank account, and while the vendor automatically does this for the annual fee, the vendor will not withdraw funds for check stock unless it receives an order. Although these three disbursements were for a valid Village purpose, they were not presented to the Board for approval through the claims audit process, nor did Village officials otherwise inform the Board to obtain authorization prior to the funds being withdrawn. As a result, there is an increased risk that unauthorized claims could be paid. The Mayor explained that Village officials overlooked the aspect of obtaining approval from the Board for the annual fee in the second fiscal year and for the additional disbursements.

Computer-Generated Check – A check totaling \$590 was reissued to a vendor on October 30, 2023 for plumbing services and was not reported on a listing of claims. Originally, a check for the same amount, dated September 5, 2023, was on the September 2023 listing of claims, and could be traced to a voucher and an invoice. The documentation maintained by the Village demonstrated the check was

voided and reissued at the vendor's request. The Clerk stated the Village relied on the information from the first claim packet and did not issue a new voucher or place the new disbursement on a listing of claims for the Board to audit and approve.

Because the listings of claims did not contain sufficient information such as the check number and check date, and did not contain all claims paid, the Village has an increased risk that irregularities could go undetected and unauthorized claims could be paid. When the listings of claims do not contain all disbursements, the Board is not receiving all disbursement information necessary for the audit and approval of claims for payment.

Recommendations

4. The Board should continue the practice of including the range of check numbers in its Board resolutions.
5. The Clerk should ensure that all claims are presented to the Board for audit and approval.
6. The Treasurer should consider including the check date and check number on the listings of claims.

Finding 3 – The Board did not monitor the Treasurer's duties.

The Board did not monitor the work of the Treasurer, who performed multiple duties for the disbursement functions. The Treasurer's duties were not segregated as she maintained the accounting records, received the bank statements, reconciled bank accounts, prepared listings of claims, and prepared, printed and signed checks. In addition, the Treasurer regularly transferred funds between the Village's bank accounts as needed to pay monthly bills, to cover payroll disbursements and invest Village funds. The Treasurer also maintained control of the financial software as the system administrator. These duties were performed without oversight from the Board. Due to these weaknesses, we reviewed the following:

Bank Reconciliations – We reviewed six bank reconciliations and determined that the Treasurer prepared them accurately and in a timely manner. However, the bank reconciliations were not reviewed by the Clerk, Mayor or another Trustee, as required by the Village's investment policy. The Mayor acknowledged that a review of the bank reconciliations was not undertaken during the audit period and should have been. A review of bank reconciliations ensures the timeliness of bank reconciliations and the authorization of any corrections necessary. Furthermore, the oversight acts as a compensating control to the inadequate segregation of duties.

Bank Transfers – The Board authorized the Treasurer to make transfers between bank accounts to pay monthly bills and payroll and transfer funds to investment bank accounts. The Board and no other officials confirmed or otherwise provided oversight of the Treasurer’s activities to confirm only authorized transactions were processed. The Mayor informed us that the Board granted authority to the Treasurer to execute the bank transfers via Board resolutions, at which time, the Board thought that was sufficient. The Board’s failure to review or ensure bank transfers were independently reviewed increased the risk of unauthorized or inappropriate transactions going undetected.

We reviewed all 78 bank transfers made during the audit period totaling \$7.1 million and determined all bank transfers were internal transfers between Village bank accounts, to pay monthly bills and payroll and invest idle funds. Although the bank transfers were for appropriate purposes and the dollar amount of the bank transfers were properly recorded, we identified recording discrepancies with the transaction dates while comparing the financial records to the bank statements for 16 transfers totaling \$1.2 million. For example, the Treasurer recorded a bank transfer totaling \$94,991 on September 11, 2023, but the bank transfer was posted to the bank statements on September 29, 2023. The Treasurer stated the discrepancies occurred due to her own error when entering the date in the system.

Discrepancies between recorded dates of bank transfers in the financial software and dates of bank transfers posted to the bank statements increases the difficulty in reconciling these transfers. Because bank transfers are captured manually through the use of journal entries and do not go through the accounts payable process, there are higher risks that errors can occur, such as overdrawing bank accounts or recording incorrect information.

After we brought the lack of monitoring weakness to the Mayor, Clerk and Treasurer’s attention in August 2024, the Village’s procedures were changed in November 2024 to include bank transfer confirmations as part of reports provided by the Treasurer to the Board.

User Access and Account Activity Reports – The Treasurer is the system administrator of the financial program and has full user account access to all of the program’s functions because, as part of her normal job duties, she is responsible for performing functions within areas such as accounts payable and accounts receivable, as well as entering journal entries. The Treasurer has access to all phases of non-payroll disbursements transactions, which could allow her to make improper payments and bank transfers and then conceal these activities by creating misleading entries in the accounting system.

The Treasurer created user accounts for the Mayor and the Clerk. However, the Mayor was only given access to the financial software with his own user account in August 2024 after we brought the matter to the attention of the Mayor, Clerk and Treasurer. Prior to this, the Mayor accessed the system using the Treasurer’s account. When users share access to the financial software, accountability is diminished, and any questionable system activity may not be traceable to a specific user.

Furthermore, the Clerk’s and Mayor’s financial software user accounts mirrored the Treasurer’s user account, having full access to the financial software, which they did not need to perform their responsibilities. For example, they were given access to accounts payable, accounts receivable, accounting activities, financial reports, changing or deleting transactions and changing closed transactions. The Mayor explained that he and the Clerk needed access if the Treasurer was absent or

unable to fulfill her duties. The Mayor told us that he and the Clerk are not involved in recordkeeping and used their access to maintain awareness of financial activity.

We reviewed user account activity reports for the three user accounts during the audit period and determined the Treasurer's account was used to create all transactions, except for one entry made by the Clerk. The Mayor's newly created user account had no activity. Because the Treasurer's user account was shared with the Mayor during a majority of the audit period, we were unable to determine whether the Mayor performed any of the transactions listed. However, we did not identify any inappropriate transactions among any of the user accounts.

The Board did not periodically review user account activity reports and the Treasurer has never been asked to provide one. The Mayor stated that transactions contained in the activity reports, such as the payment of claims, are reviewed and approved through the audit of claims process.

Village officials established some compensating controls over disbursements such as:

- The Clerk or Mayor countersigning all Village checks signed by the Treasurer, and
- The Clerk preparing the claims packets and maintaining control of the invoices as they arrived at the Village Hall.

However, the failure to review bank reconciliations, bank transfers and user account activity reports increases the risk of unauthorized or inappropriate transactions going undetected.

Recommendations

The Board should:

7. Segregate disbursement duties or provide mitigating controls by requiring someone other than the Treasurer to review the bank statements, canceled check images, bank reconciliations and bank transfers to ensure Village funds are only used for approved and legitimate expenditures.
8. Establish procedures for and perform periodic reviews of user account activity reports.

Appendix A: Profile, Criteria and Resources

Profile

The Village is located in the Town of Huntington in Suffolk County. The Village is governed by the five-member Board, which includes a Mayor and four Trustees. The Board is responsible for the general management and oversight of the Village's operations and auditing and approving all claims prior to payment.

The Mayor is the chief executive officer responsible for the Village's day-to-day operations. The Treasurer is the Village's chief fiscal officer and custodian of all funds, and is responsible for disbursing and transferring money, maintaining accounting records and preparing monthly financial reports. The Clerk is responsible for preparing the Board's meeting minutes, preparing claims for audit by the Board and countersigning Village checks.

Criteria – Claims Audit

An adequate claims audit can help ensure that public money is being spent and handled properly, identify conditions in need of improvement and provide oversight and review of a village's disbursements process.

- Village Law Section 5-524 generally requires the board of trustees to audit all claims against a village before payment is made.
- Every claim against a village should be subject to an independent, thorough and deliberate review to determine whether proposed disbursements are proper and valid charges.
- Claims or vouchers that support disbursements should include itemized invoices or receipts with enough detail to enable the board of trustees to make these decisions.
- The minutes of the village board meeting should include what claims have been audited, indicate the beginning and ending claims numbers approved for payment, and the total amounts approved by fund.
- Certain payments, such as for amounts becoming due upon lawful contracts for periods exceeding one year, may be made without prior audit. However, the general obligation of the board of trustees to review all claims continues, and the board of trustees is still responsible for auditing the claim after the contractual payment has been made.
- A board of trustees may, by resolution, authorize payment for public utility services, postage, freight and express charges in advance of audit. All such claims must be presented at the next regular board meeting for audit.

It is important that the board of trustees' authorization to pay claims is documented. This documentation is provided generally through preparation of an abstract, which is a listing of all claims audited and approved for payment. Minimum requirements for an abstract generally include the claim number, name of claimant, amount approved and the fund and appropriation account chargeable. Once prepared and executed, the abstract of audited claims should be forwarded to the disbursing officer. When a locality utilizes an integrated software program for accounting purposes, a document that contains all the information required to be included in an abstract may be produced through the purchasing or accounts payable function. This document may be provided for use as a listing of claims. Such a process could be a convenient method of producing the listing of claims if all required information is presented. In those instances, the official designated to prepare the listing of claims should verify that all claims listed have been audited and approved for the amounts listed.

Criteria – Treasurer's Duties

The board of trustees is responsible for overseeing the village's financial activities. To fulfill this duty, the board of trustees should provide oversight of the treasurer's duties to ensure that no one person controls all aspects of a financial transaction. Segregation of incompatible duties is a control that reduces the risk that any employees will be able to carry out and conceal errors or fraud in the normal course of their duties without being detected. This is also critical for electronic fund transfers and disbursements. Without proper segregation of duties, there is an increased risk that one person could commit wrongdoing and then conceal it. When using online banking for electronic fund transfers, the official responsible for the preparation of the electronic fund transfers should not have the authority to audit and approve claims for payment. Furthermore, payments made using electronic fund transfer services cannot circumvent laws or internal controls. Because electronic disbursements do not normally go through the accounts payable cycle and are sometimes not immediately recorded in the financial accounting records, the village should have procedures to document and report all transfers and electronic disbursements. If village officials enter these transactions manually, the risk of an error occurring is higher. For instance, a bank account can be overdrawn, or information could be incorrectly recorded. If financial software is used to print checks, restrict the use of hand-drawn checks. Frequently, application controls are built into computerized financial modules to detect or prevent payments to unauthorized payees or the disbursement of suspicious dollar amounts. IT application controls can be circumvented by issuing hand-drawn checks; hence their usage should be controlled and limited.

When it is neither practical nor cost-effective to segregate basic responsibilities, compensating controls should be considered. Compensating controls are supervisory or other oversight procedures designed to reduce the risk of errors or fraud not being detected. Compensating controls frequently provide for regular review of work performed by individuals who have custody of assets and who also approve or record transactions affecting those assets. When the central treasury function is handled by one or two individuals, it is unlikely that incompatible duties can be adequately segregated. In these situations, a governing board member should be designated to review accounting records, bank statements, check

images and bank transfers on a regular basis to ensure that fraud or significant errors are not occurring and remain undetected.

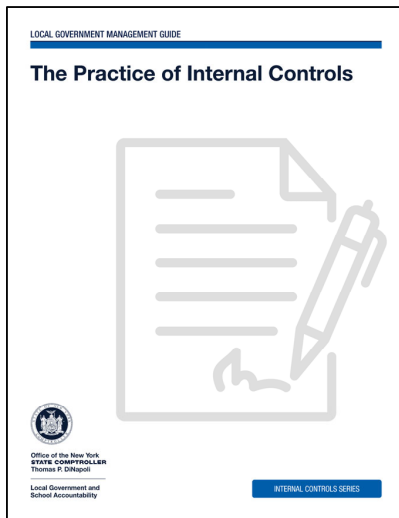
The Board-adopted Investment Policy authorizes the Treasurer to invest Village funds, and the policy requires the Clerk and either the Mayor or a Trustee to perform a review of bank reconciliations performed by the Treasurer. The Board also authorizes the Treasurer at its annual reorganization meeting to make electronic fund transfers for the purpose of making payments to vendors and payrolls.

User access controls prescribe who may have access to a specific information technology resource, such as a particular software program. For example, access controls can be implemented to limit who can view electronic files containing employee names and Social Security numbers. User access should be assigned within the software application based upon what resources users need to complete their job duties and responsibilities. To help ensure individual accountability within software applications, every user should have and use their own user accounts (usernames and passwords). If users share accounts, accountability could be diminished and activity in the software application may not be able to be traced back to a single user. Periodically, user account activity and the levels of access should be reviewed.

Figure 2: OSC Publications

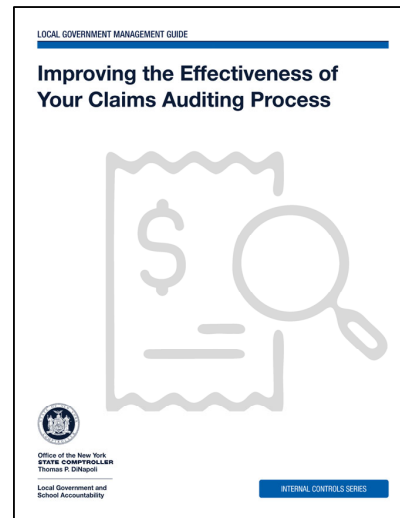
OSC *Local Government Management Guides* and other information available on our website to help officials understand and perform their responsibilities.

Practice of Internal Controls



<https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>

Improving the Effectiveness of Your Claims Auditing Process



<https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

Additional Disbursements Resources

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From Village Officials



INCORPORATED
VILLAGE OF ASHAROKEN
ONE ASHAROKEN AVENUE
NORTHPORT, NEW YORK 11768
(631) 261-7098

Mr. Ira McCracken
Office of the State Comptroller
NYS Office Building
250 Veterans Highway
Room 3A10
Hauppauge, NY 11788

January 14, 2026

RE: Audit Report-Response Letter and CAP

Dear Mr. McCracken:

The Village has received and reviewed the State Draft Audit Report prepared by your office. The Village is not surprised that all 232 disbursements totaling \$877,625 were found to be valid and appropriate. We appreciate the eight recommendations offered to strengthen claims auditing and disbursement oversight. These recommendations were adopted promptly upon being brought to our attention and have improved our review procedures. However, the Village disagrees with several conclusions in the draft audit report, as outlined below.

The audit summary should not begin with the statement, “*The Board did not conduct a thorough and deliberate audit of each individual claim,*” as this is inaccurate and portrays the Village in a negative and misleading manner. The audit identified a limited number of claims that required additional documentation. These claims were otherwise thoroughly and deliberately reviewed. The Village respectfully suggests that the first paragraph of the audit summary be revised as follows:

The New York State Comptroller’s Office reviewed 232 disbursements totaling \$877,625 and determined that all expenditures were valid and appropriate. The audit identified a limited

See Note 1 Page 20

number of claims that required additional documentation or signatures to comply with OSC best practices. The report includes eight recommendations that, if implemented, will improve the Board's auditing of claims and oversight of the disbursement process. After these matters were brought to the attention of the Mayor, Clerk, and Treasurer in August 2024, officials implemented changes to the claims audit process, disbursement monitoring, and financial software user access control.

In the second paragraph of the audit summary the Village requests that the third sentence read:

"These 55 disbursements with a value of \$64,143 included 57 discrepancies.....: there were 57 control discrepancies but there were not \$64,143 of financial discrepancies. The word order matters.

The assertion that the Board "did not conduct a thorough and deliberate review of each individual claim for non-payroll disbursements" is incorrect. The Clerk prepares vouchers, the Treasurer enters claims into the accounting software, and each Board member independently reviews the claims and signs an attestation confirming that review. Because the Clerk and Treasurer perform separate functions, both necessarily review each voucher regardless of whether an initial or signature was missing.

See Note 1 Page 20

Minor issues—such as a missing initial, recurring monthly invoices, or multiple invoices attached to a clearly explained voucher—do not indicate a lack of review. All claims were reviewed and approved based on contracts, retainer agreements, Board-approved resolutions, and long-standing Village policy. When asked whether invoices were required for recurring vouchers, the Village's CPA auditor advised that they were not necessary. All audited claims were valid, appropriate, and thoroughly reviewed.

The audit identified no financial discrepancies or irregularities. All findings related to internal control issues rather than financial errors. These issues were minor and immaterial in nature, and corrective actions were taken promptly once identified.

On page 4, the statement that "the Board did not properly audit non-payroll disbursements" is inaccurate. Additionally, the final sentence should be revised to state: *"Although all 232 non-payroll disbursements examined were valid and appropriate Village expenditures, we identified 57, totaling \$64,173, from 55 disbursements totaling \$70,417 that had documentation discrepancies."* Again, word order matters. There were control discrepancies not monetary ones.

The table on page 5 titled *"No Invoice/No Support"* is misleading and overstates the issue. Of the 24 claims identified, 20 involved recurring monthly payments supported by retainer agreements, contracts, Board resolutions, or contractual obligations. Three of the remaining four vouchers were signed by the vendor or the Village official being reimbursed. The final

voucher was for temporary clerical assistance. In the opinion of the Village and its CPA auditor, additional invoices were not required for these payments. Nevertheless, once advised by the State to attach a separate invoice to every voucher, the Village adopted this best practice. Regardless, all 24 claims were thoroughly and deliberately audited before payment.

The 18 instances of missing signatures on vouchers represent a minor and immaterial issue. The established workflow requires that both the Clerk and Treasurer handle each voucher, ensuring familiarity with the claim regardless of whether an initial appeared on the form. After notification of these inadvertent omissions, the number of instances was reduced from eighteen to one.

The Village adopted Resolution 2024-133, authorizing payment of utility bills before Board approval in order to avoid late fees. Since the adoption of this resolution, utility bills have been paid upon receipt.

The \$2,000 handwritten check, issued pursuant to Resolution 2024-52, was a deposit for an emergency repair. A voucher requesting final payment was subsequently included in the abstract, and the final amount due on the invoice was net of the deposit. Although the auditors did not consider this documentation sufficient, the Village disagrees and requests that the applicable resolution number be referenced in the final report.

See
Note 2
Page 20

The \$11,750 payment to the fireworks contractor was made pursuant to an existing Board-approved contract. Although no invoice was received, the Village was notified by phone of the outstanding balance. The Village requests that the final report acknowledge that this payment was made in accordance with an approved contract.

See
Note 3
Page 20

As a best practice in the future, the Village will convene a special meeting of the Board to approve any invoices that must be paid between regularly scheduled meetings.

The Village recommends deleting the paragraph on page 5 starting with , *“Although the Board has implemented new...”* as it is inaccurate and confusing.

See
Note 4
Page 20

On page 7, Recommendation 6 should be removed. The auditor states that the Treasurer does not provide a list of claims containing descriptions, dates, amounts, vendor names, and account codes. This is incorrect. The Treasurer has always provided a report with all of this information except the check number, which is unavailable because the report is generated before check printing. Board members compare the checks to this report during their review of the abstract. All claims were thoroughly and deliberately audited before payment.

See
Note 5
Page 20

In response to paragraph three on page 8, while the dates of certain transfers may not have matched the bank statement, all transfers were properly recorded within the correct month. The Treasurer is now double-checking transfer dates to ensure accuracy.

The Village is currently reviewing bank reconciliations, fund transfers, and preparing user access and account reports in accordance with the audit recommendations.

In closing, the Board of Trustees carefully and deliberately reviewed every claim before payment. The audit report contains eight recommendations to enhance the Village's claims review and payment procedures, all of which were adopted during the audit process. The Village now has these procedures in place to align with New York State Comptroller best-practice guidelines. The Village takes its stewardship of taxpayer funds seriously and welcomes measures that strengthen its policies and procedures. We thank the Comptroller's Office for its input and assistance.

Respectfully submitted,

Mayor Dr. Gregory Letica

Sent Via Electronic mail and USPS



INCORPORATED
VILLAGE OF ASHAROKEN
ONE ASHAROKEN AVENUE
NORTHPORT, NEW YORK 11768
(631) 261-7098

Village of Asharoken
Corrective Action Plan

1. Conduct a deliberate and thorough audit of all non-payroll disbursements prior to payment.

The Board of Trustees reviews all vouchers prior to payment. The exception is utility payments for Village Hall, the BOT is presented with the voucher, invoice, check stub and a report detailing checks paid. The Board will ensure that all vouchers have invoices and are properly initialed by Clerk and Treasurer.

2. Ensure all claims contain sufficient supporting documentation to support the disbursements.

As of the 'Risk Assessment' performed by the NY Comptroller's Office in 2024 the Clerk ensures all claims have invoices attached. No additional action is needed.

3. Ensure that claims are paid in a timely manner.

The Village adopted a resolution to allow payment of utility bills prior to Board approval to avoid late fees. The Village will pay all utility bills at time of receipt to avoid late fees. No additional corrective action is required.

4. The Board should continue the practice of including the range of check numbers in its Board resolutions.

The Board will continue to do so. No corrective action is required.

5. The Clerk should ensure that all claims are presented to the Board for audit and approval.

The Clerk will ensure that all claims are presented to the Board for audit and approval. The Village will only pay mid meeting payments following a special meeting of the Board to approve the payments.

6. The Treasurer should consider preparing a listing of claims that contains important elements such as a description of the claims, that includes the: date, check amount and number, vendor name, and appropriation account chargeable.

The Treasurer has always provided a listing of the claims that contains the description, the date, the amount, vendor name and appropriate account number. The report can only be generated prior to the checks being printed so check #'s are not included. The Board reviews all claims vouchers and corresponding checks to ensure the amounts are correct. This policy will continue and no corrective action is required.

7. Segregate disbursement duties or provide mitigating controls by requiring someone other than the Treasurer to review the bank statements, canceled check images, bank reconciliations and bank transfers to ensure Village funds are only used for approved and legitimate expenditures.

The Village, acting at the time of the advice of the State, began conducting a monthly review of all of the documents referenced above, and will continue to do so in the future. The Village prepared a sign off sheet to acknowledge that the documents were reviewed. No additional corrective action is required.

8. Establish procedures for and perform periodic reviews of user account activity reports

The Village will appoint a Trustee to on a quarterly basis review user account activity reports.

Appendix C: OSC Comments on the Village's Response

Note 1

While the audit report accurately represents the audit findings, we clarified the Audit Summary and certain parts of the report body to reflect the Board did not always conduct a thorough and deliberate audit of each claim we reviewed, clarified the dollar values associated with audit findings and that certain claims were recurring. A proper audit may have identified these departures from Village Law Section 5-524, the Village's procedures and best business practices.

Note 2

The documentation that was provided to us was a Board resolution approving the project on May 7, 2024, which is not sufficient because it does not reflect that the \$2,000 disbursement dated May 14, 2024 was audited and approved by the Board.

Note 3

The audit report was updated to include a statement that the payment to the fireworks vendor was made pursuant to a Board-approved contract for a period of five years. While we have also clarified that, whereas amounts due upon lawful contracts for periods exceeding one year may be paid without prior audit, the Board is still obligated to review the claim after the contractual payment has been made. The Board did not review the claim.

Note 4

The audit report is accurate. We reviewed claims paid before and after the Village implemented the new procedures and determined that, although we found less discrepancies than prior to the changes, issues still existed.

Note 5

Recommendation 6 was updated to state that the Treasurer should consider including the check date and check number on the listings of claims.

Appendix D: Audit Methodology and Standards

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 gained an understanding of the Village’s disbursement and claims auditing process, and the sufficiency of oversight of disbursements by reviewing Board policies and written procedures and interviewing Village officials and Board members.
- We compared the dollar amounts reported for all 19 listings of claims to the dollar amounts approved in the Board meeting minutes and the amounts recorded in the financial records to determine whether they could be relied upon. If there were dollar amount discrepancies, we reviewed the Village’s records to determine the source and whether the discrepancy could be identified.
- We examined all 19 listings of claims prepared during the audit period, consisting of two abstracts from the previous financial software for May and June 2023, one check detail report from July 2023, and 16 reports of unpaid bills from August 2023 through remainder of the audit period totaling \$2.34 million and compared the dates of the lists to dates that the Trustees stated the Board performed the audit of claims to determine whether the Board audited all claims prior to payment.
- We examined all Board meeting minutes recorded during the audit period to determine whether the Village published the Board’s approval of claims in the meeting minutes. We then reviewed the corresponding Board resolutions to determine whether the resolutions documented the dollar amount of claims audited and the range of check numbers.
- The financial records included 685 total disbursements during the audit period totaling \$2.36 million. We used our professional judgement to select and test disbursements made in six of the 19 months of the audit period including all handwritten checks. The audit team selected the months of September, October and November 2024 to verify assertions made by Village officials regarding improvements to the disbursement process and selected the same period in 2023 to compare results from the two time periods in two different fiscal years. For the sample period selected:
 - We reviewed claims packets for 232 non-payroll disbursements from the two three-month periods totaling \$877,625 to determine whether non-payroll disbursements were valid, appropriate and audited. We also examined Board meeting minutes and other available documentation, where applicable, as part of our determination. These disbursements consisted of 224 disbursement checks generated from the financial software totaling \$839,537, and eight disbursements made by handwritten check totaling \$38,088.
 - We selected a three-month period of claims for payments made to vendors prior to the audit team being on site and a three-month period after we informed the Mayor, Clerk and Treasurer of issues related to the claims audit.⁶

⁶ The audit team held an end-of-risk assessment meeting with Village officials on August 2, 2024.

-
- We examined six of 19 bank reconciliations to determine whether bank reconciliations were accurate and prepared in a timely manner.
 - We examined all 78 bank transfers totaling \$7.1 million by comparing the financial records and bank statements during the audit period to determine whether they were accurately recorded and for valid Village purposes.
 - We compared the financial records from the Village's financial software to the bank statements to determine whether all non-payroll electronic funds transfers were properly recorded in the financial records and were for a valid Village purpose.
 - We gained an understanding of the Village's establishment of the new financial software and change over from the previous financial software by interviewing Village officials. We reviewed account access for each user of the financial software to determine whether all users had unique access and that access to the financial software was applicable to the user's duties and responsibilities.
 - We examined financial software activity reports for each user during the audit period to determine the user account activity by each user.
 - We examined vendor history records for the audit period to determine whether there were disbursements made to Village officials and related parties, and to determine their nature.

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(s).

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 relevant population size and the sample selected for examination.

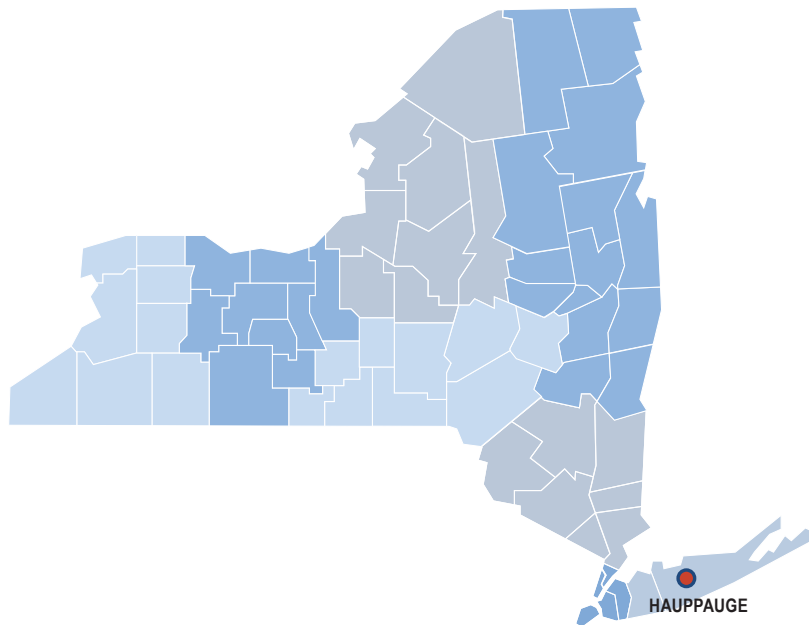
Contact

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief of Municipal Audits

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel (631) 952-6534 • Fax (631) 952-6091 • Email: Muni-Hauppauge@osc.ny.gov

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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

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