



City of White Plains Claims Auditing

Report of Examination

Period Covered:

July 1, 2014 — June 9, 2016

2016M-367



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2017

Dear City Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Common Council governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the City of White Plains, entitled Claims Auditing. This audit was conducted 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.

This audit's results and recommendation are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The City of White Plains (City) is located in Westchester County and has approximately 58,000 residents. The City is governed by its charter and other New York State laws. The City's Common Council (Council) is the legislative body responsible for setting the City's governing policies and is composed of six elected Council members and a Mayor. The Mayor is the City's chief executive officer. The Commissioner of Finance (Commissioner) is the chief fiscal officer and is responsible for processing and auditing all claims.

The City provides services to its residents including police and fire protection, street maintenance, parks and recreation programs and water, sewer and refuse services. In addition, the City owns various parking facilities. The City's 2016-17 fiscal year budget totals approximately \$184 million, funded primarily with real property taxes, sales tax, fines and fees and user fees.

Objective

The objective of our audit was to examine the City's claims auditing process. Our audit addressed the following related question:

- Did the Commissioner audit claims before payment to ensure that they were for actual and necessary City expenditures and adequately supported, as required by the Charter?

Scope and Methodology

We examined the City's claims auditing process for the period July 1, 2014 through June 9, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. 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.

Comments of City Officials and Corrective Action

The results of our audit and recommendation have been discussed with City officials, and their comments, which appear in Appendix A, have been considered in preparing this report. City officials generally agreed with our recommendation and indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the City's response letter.

The Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendation in this report should be prepared and forwarded 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 Council to make this plan available for public review in the City Clerk's office.

Claims Auditing

An effective system for claims auditing should entail a thorough and deliberate review to determine whether each claim is a legal obligation and proper charge against the City. A claim package should contain enough detail and documentation so that the auditing official is supplied with sufficient information to make that determination. Conducting a proper audit of claims before payment is an integral part of internal controls over the City's payment of claims.

A proper audit of claims should ensure that every claim contains enough supporting documentation to determine whether the claim is authorized and approved, mathematically correct and sufficiently itemized; whether the purchase complies with statutory and City policy requirements; and whether sufficient appropriations are available. Additionally, a thorough audit helps ensure that each claim indicates whether a State, county or other permissible government contract was used; sales tax was not paid; discounts were taken; and the claim was not previously paid.

The City's charter requires that the Commissioner audit all claims. However, we found that the Commissioner did not audit claims in accordance with charter requirements. Instead, claims were reviewed and verified by the purchasing and finance departments at different stages in the claims payment process. Because the claims processing function was decentralized, with each department maintaining its own documentation, a complete claim voucher packet was not kept in one central location.

We examined 70 claims totaling \$7.3 million of approximately \$285 million in claims paid during the audit period to determine whether these claims were for proper City purposes, adequately supported and approved before payment. We also reviewed claims for 20 credit card charges totaling \$21,819 to determine if they were properly approved.

Except for minor discrepancies, which we discussed with City officials, we found that the claims we reviewed were for appropriate City purposes, properly itemized, supported and approved before payment. However, we did not find any evidence that the Commissioner audited these claims, as required by the charter.

Without a thorough audit of claims before payment, the Commissioner cannot ensure that claims are sufficiently documented and represent actual and necessary City expenditures. As a result, there is an

increased risk that inappropriate or erroneous claims could be initiated and not detected before they were paid.

Recommendation

The Commissioner should:

1. Ensure that claims are thoroughly audited before payment, as required by City's charter.

APPENDIX A
RESPONSE FROM CITY OFFICIALS

The City officials' response to this audit can be found on the following page.



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December 12, 2016

Chief Examiner Tenneh Blamah
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RE: Response and Corrective Action Plan
Report of Examination 2016M-367
City of White Plains Claims Auditing
July 1, 2014 – June 9, 2016

Dear Chief Examiner Blamah:

We thank the Office of State Comptroller for their extensive review of our operations. Following is our response and Corrective Action Plan (CAP) to the above-referenced report.

See
Note 1
Page 8

An initial reading of the report and its sole recommendation would lead an uninformed reader to believe that the Commissioner of Finance (“Commissioner”) was not fulfilling his responsibility as regards claims auditing, or that documentation supporting claims vouchers was inadequate in terms of a complete claims auditing process.

In their exit interview with City officials, the OSC auditors stated that they did not expect the Commissioner to *personally* audit all claims, but that the current claims auditing policies and procedures, including the delegation of claims auditing duties, should be documented. The OSC auditors emphasized to City Officials that the claims they reviewed “...were for appropriate City purposes, were properly itemized, supported and were approved before payment,” but that there was no written policy or procedure they could reference to document the delegation of audit responsibilities among the employees involved in the claims auditing process.

See
Note 2
Page 8

The OSC auditors also noted that although a complete packet of documentation was not kept with each claim voucher, the claims they reviewed were in fact properly supported before payment. While our claim vouchers do have the necessary documentation to audit for payment, certain detailed information consisting of many pages or books are kept with originating departments. This detailed information is readily accessible and transferring it to a single location or duplicating it would be wasteful and inefficient. The OSC auditors understood this and suggested we consider an electronic record-keeping system.

See
Note 3
Page 8

Corrective Action Plan (CAP)

As a Corrective Action Plan (CAP) based on the above, we have developed a written set of claims auditing policies and procedures and have included in our 2017-2023 Capital Improvement Program a project to evaluate an electronic record-keeping system.

Sincerely,
CITY OF WHITE PLAINS

Michael A. Genito
Commissioner of Finance

APPENDIX B

OSC COMMENTS ON THE CITY'S RESPONSE

Note 1

The Commissioner did not ensure that claims were audited in accordance with the Charter. Complete claims voucher packets were not kept in a single location because City departments maintained certain documentation and no evidence was presented to us showing that a complete and thorough audit of claims was performed before payment was made.

Note 2

In addition to a lack of written procedures, the claims audit responsibility was not formally assigned.

Note 3

We suggested that an electronic recordkeeping system was one of several possible actions the City could take to address its documentation deficiencies.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed City officials and finance, purchasing and public works department employees to gain an understanding of the claims process.
- We reviewed the purchasing policy and City charter.
- We judgmentally selected 70 claims based on larger amounts to determine if they were for proper City purposes; adequately supported, audited and approved before payment; and properly authorized in accordance with City policies and procedures.
- We reviewed the 70 selected claims for proposals, bids, and State contracts and county contracts to determine related contract terms.
- We judgmentally selected 20 credit charges from 10 credit card statements (two from each month during our audit period). We reviewed the claims for these charges to determine if they were properly approved.

We conducted this performance audit in accordance with 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.

APPENDIX D

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