

# MONTGOMERY COUNTY AUDIT GUIDELINES

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MONTGOMERY  
C O U N T Y NY

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## **Article 1. AUDIT OF CLAIMS**

### **§1.01 Audit Overview**

The Auditing Committee, as defined in the Rules of Procedure of the Montgomery County Legislature shall:

1. Audit all claims, accounts and demands that are County charges by law and which otherwise would be audited by the Legislature, with the exception of the personal expenses of the members of the Legislature and which bills shall be reviewed by the County Treasurer prior to final approval by the Auditing Committee/Auditor.
2. Certify to the County Treasurer at periodic intervals those claims that shall be paid.
3. Make every effort to effect prompt payment of claims to take advantage of vendor discounts.
4. Perform such additional duties as may be prescribed by law or otherwise directed by the Legislature.
5. Approve claims for payment using the following audit principles:
  - a. The proposed payment is for valid and legal purpose;
  - b. The obligation was incurred by an authorized official;
  - c. The goods or commodities for which payment is claimed were, in fact, received or if for services, they were actually received;
  - d. The obligation does not exceed the available appropriation; and
  - e. The claim is in proper form; it is mathematically correct; it meets legal requirements; it does not include any charges for taxes from which the local government is exempt; it includes any discounts to which the local government is entitled; it does not include charges previously claimed and paid; and it is in agreement with an attached purchase order, if a purchase order system is in effect and the purchase is over the minimum required amount.

### **§1.02 Claim Definition**

A claim is a bill, account or demand against the County and its various departments for the payment of moneys due for services rendered or materials furnished. The words “voucher” and “claim” are used interchangeably.

### **§1.03 Claim Requirements**

In general, the claim, which is presented to the County of Montgomery for payment, must be:

1. written;
2. itemized;
3. reviewed and initialed by the officer or employee who gave rise to the claim;
4. approved by the respective department head or deputy;
5. audited by the Auditing Committee;
6. in a form that may be prescribed by the Auditing Committee and approved by the Montgomery County Legislature;
7. certified or verified by the claimant, in the absence of a formal invoice.

### **§1.04 Claim Form**

A standard claim form is required since it elicits specific information from a vendor and presents it in a systematic manner. All of the required information is to be recorded as outlined (see Exhibit A). Most business organizations have standard forms for billing customers, which may be used for audit and payment processes by simply attaching the company-billing device to a “dummy” voucher.

### **§1.05 Initial Processing of Claim**

To avoid unnecessary delay in the processing of claims, each county department should acquaint vendors with payment cut-off dates and the procedures for submission of their bill, including the name of the officer or employee to whom they should transmit their claim. It is recommended that claims should be sent to the officer or employee initiating the transaction.

### **§1.06 Discounts**

Every effort should be made to effect prompt payment of claims and take advantage of discounts offered by vendors. The County, in most departments, processes bills for payment every two weeks so that discounts are not lost. Should a department be experiencing “lost discounts”, the Purchasing Agent, Auditing Committee and the County Treasurer should be alerted immediately.

### **§1.07 Procedural Checks to Assist With Audit Process**

1. Prove the mathematical accuracy of all computations. This should include verification of extensions and additions and the recalculation of any discount.
2. Determine that the charges are not duplicates of items already paid; in this respect, recollection of a previous claim from the same vendor with similar charges might be the prompting influence to cause further investigation.

3. In using the purchase order system, compare the claim with the departmental copy of the purchase order.
4. See that the claim is properly itemized; i.e.:
  - a. Vouchers for supplies or materials should show such information as the weight or quantity, size, grade, unit price and total, as well as any other data appropriate to the commodity purchased;
  - b. Claims should be supported by delivery tickets signed by the person accepting delivery or pick up which identifies the equipment, storage or building into which each delivery was made. Delivery tickets furnish proof that the local government actually did receive item(s) for which it is paying;
  - c. The description should also indicate for what purpose the purchase, service or repair was made, or inventory items added to stock, "no code", "unknown" or "code 9999" is not acceptable;
  - d. Should these charges result in an overage, such amount(s) must be charged to an appropriate budgetary line item for approval by the Auditing Committee as a "direct payment".
5. Claims submitted by an officer or employee for reimbursement of expenses should indicate the reason for travel or expense and the authorization for incurring it. Such claims should be submitted to the Auditing Committee for payment within 10 days of incurring them.
6. Note that the claimant's certification has been completed where required.
7. Observe that the official responsible for originating the claim has approved the voucher.
8. See that a receipt of the employee who actually received the material, equipment, or service for which the claim is made accompanies the claim. Particularly in the utilization of a purchase order system, the individual responsible for receiving the materials should note all pertinent information on the "receiving copy", date and sign it.
9. State, County or local contract number, specification or resolution number should appear on the face of the claim.
10. Compare prices indicated to those contained in contracts on file or in authorized resolutions of the Legislature.
11. Ensure that procurement was made in accordance with the County's procurement policy.
12. Paperwork for vendor payments should be stapled and assembled in the following order and verified by Department Head:

- a. Vouchers on top
- b. Invoice and/or proof of receipt
- c. Purchase order to be liquidated (on bottom)

*NOTE: A simple rule to remember on itemization -- the claim, with attending invoice(s), must contain sufficient detail to permit a satisfactory audit by a person who is entirely unfamiliar with the transaction.*

## **Article 2. PAYMENTS NOT REQUIRING PRE-AUDIT**

Claims must be pre-audited and approved for payment by the Auditing Committee, who is charged with the responsibility for the auditing function, except for:

1. fixed salaries or compensation for services of officers or employees regularly engaged at agreed wages by the hour, day, week or year;
2. principal of or interest on indebtedness;
3. amounts becoming due upon lawful contracts for periods exceeding one year;
4. certain welfare payments (Soc. Svc. Law #86);
5. payments made pursuant to a court order;
6. payment for State retirement membership billings from the State Comptroller, which is mandatory and not subject to pre-audit requirements. Similar rationale would apply to the payment of the County's share of the Social Security contributions and subsequent payments;

### **§2.01 Payment Allowed in Advance of Audit**

Payment of claims for public utility services (i.e. electric, gas, water, sewer, telephone); postage, freight and express charges may be made through special arrangements with the Offices of the County Treasurer and the Auditing Committee.

*Officers or employees approving these pre-audited claims may be personally liable if they are subsequently rejected as a result of the post-audit.*

### **§2.02 Payment of All Other Claims**

1. All claims to be paid shall be received by the 5<sup>th</sup> of the month. Each claim shall be approved by the Department having authority for the purchase, ensuring that all procedural checks have been compiled with to assist the audit process.
2. After examination and review of the claims by the Auditing Committee/Auditor, and there being no objection to any of the claims by any Committee or Legislator, the Auditing Committee/Auditor shall move that the claims as audited are approved and presented to the Legislature for approval of payment.

### **Article 3. ABSTRACT OF AUDITED VOUCHERS**

A prime requisite in paying claims is evidence of a disbursing officer's authority to pay claims. This documentation is provided through an abstract, warrant, or order on which the audited claims has been listed, and directs the County Treasurer to prepare the checks. Such abstract must specify:

1. the number of the claim;
2. the name of the claimant;
3. the amount allowed;
4. the fund and appropriation account chargeable;
5. The amount of encumbrance to be liquidated (if appropriate); and
6. Any other information that might be deemed essential, such as check numbers and date or dates of payment on the abstract. For those items processed through the purchase order system, such information will automatically appear. Separate abstracts will normally be prepared for each fund.

Since the claim is normally submitted to the County Treasurer's Office, it is essential that the abstract contain all information necessary to effect payment by the County Treasurer and to make the appropriate entry in the accounting records. This would include vendor numbers, purchase order numbers and appropriations and funds to be charged. It is important that they be shown so the responsible officer will know the correct accounts to be charged. Separate abstracts will be prepared for each fund.

If several vouchers are from the same claimant, only one check needs be drawn for the total due. It is essential that the total charges for all of the appropriation accounts on the abstract equal the total of the checks issued.

When there is going to be a change to an audited voucher at the time of check issuance that would alter or eliminate the check, the Auditing Committee may proceed with the audit, approve the issuance of the appropriate check(s) and then issue the corrected post audit report.

### **Article 4. REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES**

County Law (Section 203) and General Municipal Law (Section 77-b) authorize reimbursement of "actual and necessary expenses" incurred by various individuals in the performance of their duties and attendance at training schools, meetings and conferences so authorized by the County.

*Note: Even if the individual has received all necessary prior authorization, the individual must still submit vouchers for reimbursement, together with supporting documentation, which are subject to review and approval by the Auditing Committee.*



As a general rule, a particular expense may be considered “actual and necessary” if:

1. an expenditure was actually made;
2. the item was necessarily incurred for an authorized purpose, for the performance of the individual’s duties; and
3. the expense was in an amount no greater than necessary and was reasonable and actual.

The Auditing Committee/Auditor, as part of their auditing function, based on the facts and surrounding circumstances, must make the determination of whether a particular expenditure was “actual and necessary”, in the first instance. The vendor, affected official or employee shall be permitted to appeal, in person or in writing, any disallowance or reduction of a claim by Auditing Committee to the Budget and Finance Committee of the Legislature. Any further dispute shall be resolved by a majority vote of the Legislature as to whether a particular expenditure is “actual and necessary”.

## **Article 5. TRANSPORTATION**

Actual and necessary transportation expenses are generally reimbursable. These may include the cost of public transportation; such as a bus, train or, where appropriate, a plane. Automobile expenses, as hereinafter defined, will be allowable only within the borders of New York State unless specifically authorized by the Legislature. All travel will require the department head’s approval. Receipts for such items as lodging, public transportation, registration fees (with copy of registration form or agenda attached), parking charges, thruway tolls, meal expenses, etc. must be affixed to the voucher. The vouchered mileage should include points of travel for each date traveled, the number of miles (Exhibit B – mileage table) and the mileage rate. If one or more stops are made between points of travel, this, too, should be noted.

### **§5.01 County Vehicles**

Designated officials or employees shall use county-owned vehicles exclusively for County purposes. Any violation of this privilege shall be grounds for dismissal. All County vehicles shall be marked as property of the County of Montgomery in a manner as determined by the Legislature, with the exception of certain unmarked Sheriff’s vehicles. County-owned emergency vehicles may be assigned to emergency personnel for response to emergency situations when serving on-call duty at the discretion of the Department Head.

In those instances where an employee uses a County vehicle for commuting back and forth to work, as well as for official business, it will be incumbent upon the County to report the taxable non-cash fringe benefit for personal usage to the appropriate State and Federal agencies (see 1990 report of NYS Comptroller’s Office).

The County, including out-of-pocket costs for parking, tolls, etc, provides all expenses incidental to the operation of a County vehicle. Should a breakdown to a County vehicle occur at an inconvenient location

or time prohibiting County pick-up or repair, all costs and circumstances associated therewith must be identified fully on all respective County vouchers.

### **§5.02 Personal Vehicles:**

An official or employee may only be paid for the operation of a private vehicle while it is being used in the execution of the duties of his/her office or position. In lieu of reimbursement for actual costs of operating such vehicle, the County provides the following reimbursements:

**Mileage allowance:** A rate per mile shall be established by either an applicable negotiated employee contract or at the rate set by the Internal Revenue Service (IRS). Mileage will be paid in lieu of such items as gasoline, oil, insurance, depreciation, etc. of such vehicle. The total amount paid will be reported as income on a W-2 wage and tax statement in accordance with IRS regulations.

**Mileage Table:** The Legislature has established a mileage table to be used by County employees and officials while traveling on County business. “Reasonable and necessary” mileage will be paid according to Exhibit B (the County Directory) for the most traveled routes; and for all others, the employee should keep track while incurring the expense or confer with the Auditor for the exact reimbursable mileage.

Costs incurred in commuting from home to the usual place of work are private expenses and, therefore, are not reimbursable, since they are not actually and necessarily incurred in the performance of official duties. The Legislature has, however, made an exception for those employees who begin the workday from their home to official stops enroute to the workplace, or those assigned to “beeper coverage” or other types of “call-in”, thus saving the County added mileage costs. The appropriate department head must certify such practice.

Travel which is incidental to personal travel, such as where the Treasurer stops at a bank on the way home to deposit moneys received, is generally not reimbursable because it is merely incidental to commuting travel and is not necessarily incurred in the performance of official duties.

### **§5.03 Meals:**

Meal expenses may not be reimbursed unless the official is traveling outside of the regular work area on official business for an extended period of time or is prevented from taking time off for a meal due to a pressing need to complete business at hand. For example, meals would be a proper charge if a business meeting is of an immediate nature and a meeting at mealtime is essential. Generally, the cost of meals while performing the duties of the office or position within the County of Montgomery is a personal expense.

Expenses for business breakfasts, luncheons or dinners attended at the sole discretion of the official or employee are personal expenses, as referenced by numerous NYS Comptroller’s Opinions and will not be allowed.

The cost of meals for any guests will only be paid in certain circumstances when determined by the Legislature that a lunch or dinner meeting with guests will promote a valid County purpose, such as a business luncheon with other government officials or community leaders for discussion or negotiation of

a matter to properly come before the Legislature for action. The claim for reimbursement shall state the names of the guests and the topics discussed and will require prior approval of the Legislature.

Expenditures for purchase of alcoholic beverages may not be considered a proper or necessary travel or meeting expense of the County under any circumstance.

Sales taxes imposed on food by restaurants on an individual basis, making it impractical for an employee or official to prepare and present a tax exemption certificate may be considered an expense incidental to the meal and an actual and necessary expenditure incurred in connection with travel on official business. However, in those instances when a group meal is planned in advance, the restaurant should be made aware of the fact that a tax exemption certificate will be presented and that no sales tax should be charged (see specific “taxes” reference).

## **Article 6. CONFERENCES AND TRAINING SCHOOLS**

GMU §77-b(2) authorizes the Board to permit any official or employee to attend conferences and training schools. The Board of Supervisors, by Local Law #3 of 1983, transferred authority for approval of conference attendance, with all related expenses, to the Chairman of the Legislature:

### **§6.01 Registration Fees**

All actual and necessary expenses relating to registration fees (inclusive of books, pamphlets or other instructional materials) for an authorized attendance at a conference, meeting or training school shall be reimbursable.

### **§6.02 Lodging**

An official performing official duties may be reimbursed for any necessary lodging expenses incurred during travel outside a 60-mile radius of the County Seat. The additional cost for a spouse or guest incurred for lodging is not an authorized actual and necessary expense and will not be reimbursed. Should one occupancy rate be charged, the County will reimburse the employee or official on the basis of a single occupancy rate.

Overnight expenses incurred for days prior or subsequent to a conference or training school are not considered to be reasonable and necessary. However, the Auditor/Auditing Committee upon approval of the Chairman of the Legislature, could reimburse those officials or employees who are scheduled speakers or officers of their respective associations, when required to be in appearance on days other than the regular agenda and not compensated by said association.

### **PROPOSED CHANGE TO 6.02**

**An Employee performing official duties may be reimburse for any necessary lodging expenses incurred during travel outside a 60-mile radius of the County Seat. The additional cost for spouse or guest incurred for lodging is not an authorized actual and necessary expense and will not be reimbursed. Should one occupancy rate be charged, the County will be reimburse the employee on the basis of the single occupancy rate.**

Overnight expenses incurred for days prior or subsequent to a conference or training session, or under the 60 mile radius are not considered reasonable and necessary. However, The Auditor/Auditing Committee upon approval of the Chairman of the Legislature could reimburse those employees who are scheduled speakers or officers of their respective associations, when required to be in appearance on days other than the regular agenda and not compensated by said association. Overnight expenses under the 60 mile radius can be approved if the health, welfare and safety of an employee is compromised due to weather, early morning or late night conference or training activities. The Overnight expenses incurred for days prior or subsequent to a conference or training session, or under the 60 miles radius would require a Memo from the County Executive to the Chairman of the Legislature approving the reimbursements.

### **§6.03 Gratuities**

Gratuities will only be considered as actual and necessary when they appear as a fixed part of lodging costs and deemed reasonable.

### **§6.04 Taxes**

Taxes will not be considered an actual and necessary expense reimbursable by the County when appearing on a lodging bill. It will be the responsibility of the employee or official to present a tax exemption certificate to the hotel or motel for bill reduction (see Exhibit D). The only exception to this rule will be in those instances where the employee travels outside the borders of New York State and the purchase may not be tax exempt.

### **§6.05 Refreshments**

Reasonable expenditures for light refreshments for the general public at official functions are reimbursable.

Those refreshments provided to firefighters or other volunteers serving in activities arising from their official duties are permissible.

### **§6.06 Travel Agency Claims**

Should an authorized employee or official use a travel agency, the claim will not be audited or allowed unless supporting documentation shows: (1) who traveled; (2) how they traveled; (3) when they traveled; (4) where they traveled; (5) why they traveled; and (6) the travel was necessary and authorized.

### **§6.07 Credit Cards**

At present time, the County does not issue Credit Cards for use by any employee. In the future, and in the event they do, the use of credit cards issued by the County should be limited to those departments whose officials and employees incur extensive amounts of travel in the performance of the functions of

said department; such as the Sheriff's Department. It will be the responsibility of the department head to ensure that claims submitted by credit card companies are submitted for payment within a reasonable time so as to avoid unnecessary service, late and/or interest charges. All audit requirements pertaining to documentation and itemization must be complied with. Extreme caution must be taken in their use to prevent the potential of theft, loss and unauthorized use.

### **§6.08 Cash Advances**

In special circumstances, and on a very limited basis, the County Treasurer issues advances to the Sheriff's Department, upon submittal of a voucher from the Sheriff. In the event a situation should arise, that might warrant an advance to another department, then the Treasurer would confer with the Legislature and the County Auditor/Auditing Committee, before the issuance, unless Court Ordered. Itemized vouchers showing actual expenditures must be submitted for audit with 5-10 days of the return of said individual(s). If the designated official or employee fails to return such excess advance with the submission of the itemized voucher, the County Treasurer must deduct the unreturned excess advance from any money owed to the individual including but not limited to a payroll check.

### **§6.09 Membership Dues in Associations**

Officials' membership dues in professional societies or associations may be allowed if:

1. it is determined by that membership will benefit the County of Montgomery and serve a public purpose;
2. there is a reasonable connection between the duties of the official and the activities of the organization;
3. there is an appropriation to pay the dues and the claims for payment are audited and approved.

## **Article 7. PETTY CASH FUNDS**

Section 371 of the County Law authorizes the Legislature to establish petty cash funds. Upon the adoption of a resolution, the County Treasurer will make available to the department so named, a petty cash fund which can be used as follows:

1. payment, in advance of audit of properly itemized and verified or certified bills for materials, supplies or services, other than employment, furnished to the County for the conduct of its affairs and upon terms calling for payment to the vendor upon the delivery of any such materials or supplies or the rendering of any such services;
2. to serve as a change fund for a collecting officer.

The use of such petty cash fund should be to appropriate expenses relative to their particular department.

Travel expenses are not a recognizable expense under such legislative section, except for the offices of the Sheriff, District Attorney or any other County police or peace officers when required to travel on official business. It is, however, preferred that personal vouchers be kept to a minimum, even in these instances also.

## **Article 7. VENDOR LIST AND VENDOR NUMBERS**

The Purchasing Department maintains a list of vendors, addresses and assigned vendor numbers for the purpose of issuance of 1099 forms year-end.

The vendor information used by a department in preparation of vendor claims should be the same as that in the established vendor file record. If a department has a new vendor to list or learns of a change of an existing vendor name, address, ID#, etc., it is its responsibility of the department to transmit that information to the Purchasing Department and be available for review by the Auditing Committee so that the vendor master file can be updated.

## **Article 8. PRINTING**

Montgomery County operates a printing department for use by all departments. Special printing needs, such as stationery, brochures, etc., can be completed in-house. Copying and collating can also be accomplished by the Printing Department. Generally, all jobs of 50 copies or more should be sent to the Printing Department for completion. Montgomery County invests significant resources in its Printing Department and expects other departments to utilize its services. Decisions to purchase copiers by other department should be made in this context.

## **Article 9. CENTRAL MAILROOM**

Montgomery County operates a central mailroom for use by all county departments. All mailing requirements, and any special jobs requiring additional mailings, out of the ordinary of your department, should be discussed with this department.

## **Article 10. STOCKLESS STOREROOM**

The County of Montgomery solicits bids yearly for the purchase of a continuous supply of office supplies on a demand basis for use by all County departments and at the request of other municipalities or agencies within Montgomery County's borders, at established unit prices for such items ("Stockless Systems Purchasing").

Supplies are ordered on a three-part (minimum) pre-printed form supplied by the Vendor. The requesting department fills out a requisition form, which includes the request date, account number, department, address and all supplies ordered. Upon completion, the form must be signed by the Department Head or Acting Department Head and forwarded to the Purchasing Agent for his approval.

Upon approval, the Purchasing Department mails a copy of the form to the Vendor, retains one copy for billing purposes and returns a copy to the requesting department for file.

In the event of a special purchase (other than supplies presented in the bid booklet), a copy of the catalog page that the special item appears on is to be attached to the requisition and submitted to the Purchasing Agent for his approval and procurement in the best interest of the County. If approved, the Purchasing Department completes the order and forwards it order on to the appropriate Vendor.