



City of Mechanicville

Records and Reports

Report of Examination

Period Covered:

January 1, 2010 — February 29, 2012

2012M-162



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2013

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 City 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 City of Mechanicville, entitled Records and Reports. 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 General Municipal Law.

This audit's results and recommendations 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 Mechanicville (City) is located in Saratoga County and has approximately 5,200 residents. The City provides a number of services to its residents that include street maintenance and snow removal, police and fire protection, water and sewer, transportation, and recreation services. The City finances these services mainly through real property taxes, State aid, and fees charged to residents.

The City government is organized under a City Council (Council), which comprises five elected Commissioners, one of whom is the Mayor. The Mayor serves as the City's chief executive officer. The other four Commissioners administer the individual departments and with the Mayor also form the City's legislative and policy-making body. The Commissioner of Finance serves as the City's chief fiscal officer.

According to the City Charter, the Mayor is responsible for general oversight of all City departments while having responsibility to exercise supervision over the police and fire departments. The Commissioner of Finance serves as treasurer and is responsible for maintaining books of account and providing financial reports to the Council. The Commissioner of Finance can appoint a Deputy Commissioner of Finance to assist with the day-to-day operations of the office. The Commissioner of Accounts is responsible for the collection of all taxes and fees and serves as the Clerk of the Council.

Objective

The objective of our audit was to review the City's financial management system. Our audit addressed the following related question:

- Did the Commissioner of Finance properly maintain the City's accounting records and reports to allow the Council to adequately monitor the City's financial activity and condition?

Scope and Methodology

We examined the City's accounting records and reports maintained by the Commissioner of Finance for the period January 1, 2010 through February 29, 2012. The condition of the City's records was not sufficient to determine the City's true financial condition. Therefore, we focused our audit work on the condition of the Town's accounting records, the level of reporting to the Board and budget development. We also reviewed certain selected financial statement information for periods prior to January 1, 2010 to provide a historical perspective.

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 B of this report.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations 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 recommendations and indicated they planned to initiate corrective action.

The City Council 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 forwarded to our office within 90 days, pursuant to Section 35 of the 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 City Council to make this plan available for public review in the City Clerk's office.

Financial Records and Reports

The Council is responsible for the City's overall financial management, including monitoring and evaluating financial condition. To adequately evaluate financial condition, it is essential that complete, accurate and timely accounting records are maintained to properly account for and report the City's financial condition and activities. The lack of adequate and timely accounting records makes it difficult for the Mayor and Council to evaluate the City's financial activities and inaccurate records can obscure the City's true financial condition.

Although the Mayor has primary responsibility for managing the City's day-to-day activities, the entire Council shares responsibility for fiscal oversight and establishing a system of financial reporting. To facilitate this, the City's financial data must be complete, accurate and up-to-date. Also, the Council and the Mayor must provide sufficient oversight, guidance and training to the Commissioner of Finance (Commissioner) to ensure that the City's records are maintained timely and that they are reliable.

The Commissioner, as accounting officer, is responsible for performing basic accounting functions including maintaining detailed accounting records, providing monthly financial reports to the Board and filing the annual update document (AUD) with the Office of the State Comptroller (OSC). In addition, the Commissioner must perform monthly bank-to-book reconciliations to ensure the timely identification and correction of differences between the City's recorded cash balances and its bank cash balances.

Due to the poor condition of the City's financial records and reports, City officials were unable to determine the City's true financial condition. The extremely poor state of the City's financial records precluded a determination of the City's true financial condition.

The Council failed in its oversight responsibilities related to the City's finances. The Council failed to establish the policies and internal control procedures needed to implement, manage and monitor the City's financial management system. Even after years of unfiled financial reports, lack of information about current financial condition and un-reconciled bank accounts, the Council did not take action to correct the City's financial information. Furthermore, the Council did not review and act upon what financial information was provided such as quarterly operating statements showing over-expended appropriation accounts.

In addition, the Commissioner has proposed, and the Council has adopted, unrealistic budgets over the past several years. Because of the Council's failure to fulfill its oversight responsibilities over the course of several years, City finances could be under fiscal stress and the Council would not know it because of the poor state of the accounting records.

Accounting Records and Reports

The City's financial data must be complete, accurate and current to be relevant and useful for managing City operations. The Commissioner is responsible for maintaining adequate accounting records that allow for useful periodic and annual reports to be provided to the Mayor and Council for their review. Adequate accounting records consist of journals, ledgers and other financial documents that provide a record of all City transactions and account balances in a timely manner. The Council is responsible for implementing policies and procedures that ensure reliable records and reports are maintained by the Commissioner.

We found that the City's accounting records were incomplete and inaccurate. The City's accounting records could not be relied on, in part, because of changes to the financial software. In July 2009, the Council approved the purchase of new accounting software and implemented the change in November 2009, just after hiring the previous Deputy Commissioner of Finance. The new accounting software was not designed for governmental accounting and required the software vendor to specially design the system for governmental agency use. In addition, the Deputy Commissioner of Finance believes that the beginning balances in the new accounting software are not correct and the balances have never been corrected. All of these factors, combined with the Council's failure to provide adequate oversight, contributed to the Commissioner's failure to perform the routine activities needed to maintain current and accurate records over the past several years.

Incomplete Accounting Records— Complete and accurate accounting records are necessary for managing the City's operations. As of February 29, 2012 the City had still not closed its 2010 and 2011 accounting records and was still working with its CPA preparing the 2010 AUD.¹ The lack of complete and timely accounting records has created an environment where City officials do not know the City's true financial position and, therefore, cannot effectively monitor operations throughout the year. At this point the 2010 AUD is so outdated that much of its utility has been lost. The City will pay thousands of dollars for extra time and work for the CPA to complete

¹ As of November 2012, the City has not filed its 2010 AUD.

the AUD because of the poor condition of the records and will receive diminished value, a waste of taxpayer money.

Our review of the accounting records identified problems with account balances and postings to various accounts resulting in an inaccurate depiction of the City's financial activity. For example, none of the cash balances in the accounting system were accurate for 2010 and 2011. In fact, the records are so bad that the City's cash balance is monitored on a daily basis by calling the bank to ensure that the City has enough money to pay bills. We found indications that the City has cash flow problems. For example, as of February 29, 2012, the City's operating cash account had a balance of approximately \$6,000. Because of the lack of cash on hand, the City paid its retirement payment to the New York State Retirement System in the amount of \$402,120 on March 5, 2012,² resulting in the City incurring a late penalty fee of \$2,765. Although this cash flow problem lasted only a short period of time,³ this is a result of the Council not monitoring the City's finances and addressing issues that arise during the year.⁴

Bank Reconciliations — Monthly reconciliations between the bank statements and City accounting records should be performed to ensure that the City's cash balances in the accounting records agree with corresponding bank balances. This helps to ensure that all cash is properly accounted for.

The Commissioner failed to ensure that bank account reconciliations were performed during our audit period. The Deputy Commissioner of Finance performed manual bank reconciliations outside of the accounting system to attempt to determine the accuracy of the City's cash balances. However, these reconciliations did not agree with the cash balances in the accounting system. The Deputy Commissioner believes that incorrect cash balances were entered into the new accounting system when it was set up, causing the beginning balances in the new financial software system to be inaccurate. However, City officials have not determined the difference between the accounting records and the actual cash balance in order to make adjusting entries. In addition, the City commingles the moneys of the general fund, water fund and sewer fund in one bank account and the Deputy

² The payment to the New York State Retirement System was due February 1, 2012. This was the first year during our audit period that the City paid its retirement payment late.

³ The City's real property tax collection starts on March 1 of each year and money is available soon thereafter.

⁴ The Deputy sent out an email on February 1, 2012 to all the Commissioners and Deputy Commissioners requesting that there be no unnecessary spending until further notice and all significantly large purchases be approved by the Board.

Commissioner was unable to determine the accurate cash balances of any of these funds.

Periodic Reports to Council — It is essential for the Commissioner to submit periodic financial reports to the Council so that it can make informed financial decisions. However, we found that the reports provided to the Council were limited to biweekly abstracts and sporadic quarterly budgeted appropriations-to-actual expenditures comparisons. The Council did not require any report related to the City's cash balances.

The quarterly operating statements could provide useful budget information on which to base certain financial decisions if used by members of the Council; however, we found that the reports were not adequately reviewed. For example, the City had over-expended appropriations in the Highway Repairs and Maintenance account by \$37,773 and fuel account by \$15,272 at December 31, 2011. If the Council had properly reviewed the report, they would have identified the over-expenditures and determined the necessary corrective action. However, the Council did not require the Commissioner to provide adequate information upon which to assess the City's financial condition and did not take appropriate actions based on the limited information that was provided to them.

AUD Filing — The City is required by General Municipal Law to file their AUD with OSC within 90 days following the close of the fiscal year with the option of an additional 30-day extension, if requested. The AUD is an important document that allows management and the general public to assess the City's financial operations and financial condition. The poor condition of the accounting records has resulted in the City being unable to file its AUDs with OSC for the 2010 and 2011 fiscal years, and the 2009 AUD was not filed until July 18, 2011, which was more than 440 days past its due date. The failure to file the AUDs in a timely manner denies the Council and public access to a primary tool for monitoring the City's fiscal affairs.

The City's poor accounting records have created an environment where the City's financial condition cannot be effectively monitored. This puts the City in a position where the financial condition could significantly deteriorate and the Council would not be able to make informed decisions to remedy the situation. It is essential that the Council ensure that the information in the financial management system is brought up-to-date and accurate so that it can exercise its oversight responsibility.

Budget Development

The budget serves as a plan to ensure that sufficient resources are available to fund the cost of services provided by the City. To prepare a reasonable budget that is structurally balanced so that recurring costs are financed with recurring revenues, the Commissioner of Finance, as budget officer, and City officials should consider, among other things, feedback from department heads and prior years' actual results of operations. Prudent budget development also requires obtaining reliable data from outside sources to formulate realistic estimates, appropriately allocating costs over the different funds, and ensuring that sufficient revenues will be collected to support budgeted expenditures. Once the budget is approved, it is the combined responsibility of all City officials and department heads to ensure that services are provided within the budgeted parameters.

We found the Council's 2011 and 2012 adopted budgets did not include reasonable estimates. In developing the budgets, the Council failed to consult with department heads, review prior years' actual results of operations, allocate costs to the appropriate funds, or obtain readily available data to budget for certain costs. This kind of budgeting is irresponsible and a poor substitute for good fiscal planning. Our audit identified the following specific deficiencies in the City's budgeting process.

Sources of Budget Estimates — While it may be possible to use the prior year's budget as a starting point in developing a budget for the upcoming year; in order to do so, the officials must first determine the adequacy of the previous budget. The Council did not review prior years' activity when estimating the 2010 and 2011 revenues and expenditures. Instead, the Council used the prior years' budgeted figures as a basis for developing the 2010 and 2011 budgets without determining the reasonableness of those estimates. For example, in 2012,

- The highway personnel services appropriation was only \$176,109 although average expenditures over the three previous years were \$215,714.
- The installment purchase debt appropriation of \$98,562 appeared low in comparison to prior years' expenditures of \$161,946.
- The total estimated general fund revenues were only \$4,382,745, although the average revenues collected over the three previous years were \$5,192,769.

Further, the City did not include an appropriation for installment purchase debt in the general fund for the 2011 budget, yet it expended approximately \$67,000 for this purpose. City officials knew when

they were developing the budget that the City would incur this cost during the year; however, they failed to include an appropriation in the adopted budget. The City also under-budgeted for its New York State Retirement payment by approximately \$37,000 and highway administration expenditures by approximately \$67,000.

Although financial records were not up-to-date, Council members could have determined that their budget estimates were not realistic by reviewing the appropriation report (budget vs. actual expenditures reports) provided sporadically by the Deputy Commissioner of Finance and the monthly revenue collection reports maintained by the Commissioner of Accounts.

Budget Adoption — The City's Charter outlines specific dates that the Council is required to follow in the adoption of the City's annual budget.⁵ The majority of department heads did not submit estimates⁶ to the Commissioner for the 2010, 2011 and 2012 budgets. The Council took no action to enforce compliance with the Charter. In addition, the City did not prepare and maintain meeting minutes for the 2010, 2011, and 2012 proposed budget meetings that were supposed to be held on or before the second Monday in December.

Furthermore, the Commissioner of Accounts⁷ did not have on file the minutes to the December 29, 2011 Council meeting in which the adoption and annual appropriation of the 2012 budget took place.⁸ These minutes were approved at the Council meeting held on January 4, 2012; however, the Commissioner of Accounts lost the minutes. As a result of our request, the minutes were retyped and given to us on March 29, 2012. The minutes were reapproved by the Council at their April 18, 2012 meeting. Because of the lack of documentation maintained by the City for the adoption of their annual budget, we

⁵ Section 74 of the Charter states that, on or before November 1 of each year, all department heads are to furnish to the Commissioner of Finance estimates, in writing, of the amount of expenditures for the next fiscal year. Section 75 of the Charter states that on or before the second Monday in December in each year, the Commissioner of Finance shall submit to the Council an estimate of the probable expenditures and revenues of the City for the next fiscal year. Section 76 outlines the adoption of the annual budget by the Council prior to fixing the tax levy. Section 77 outlines the annual appropriation of the budget as adopted and filed.

⁶ Only the Police Chief submitted estimates to the Mayor, who gave them to the Commissioner.

⁷ The Commissioner of Accounts' office shall be the place for filing of all city documents and records, chattel mortgages and such other legal papers and instruments required by the law. The Commissioner of Accounts shall perform all the other duties which may or shall be required of the City Clerk.

⁸ Subsequent to fieldwork, the Commissioner of Accounts provided us with documentation supporting that the original minutes were in his office; however, they had been misplaced and could not be located during our fieldwork.

could not verify that the budgets were actually voted on and adopted by the Council for 2010 and 2011.

We also did not find a certified copy of the 2010, 2011 and 2012 budget on file in the Commissioner of Accounts office. We were told that the Commissioner of Accounts was not aware that he should have a certified copy of the adopted budgets on file in his office. As a result, we could not determine if the budgets provided by the City for 2010 and 2011 were in fact the adopted budgets. When the current Commissioner⁹ prepared the proposed budgets for 2011 and 2012, he used the 2010 and 2011 budgets as a starting point; however, we did not find any documentation on file to determine if the City's adopted 2010 and 2011 budgets were used. In addition, the Commissioner did not keep any records that he used to generate the 2011 and 2012 proposed budgets. The Commissioner told us that he shredded all of this information after the 2011 and 2012 budgets were adopted by the Council. Information and documentation used in the budget development process should be maintained to support estimates that were included in the budget. The destruction of supporting documentation creates an environment where there is a lack of transparency by City officials.

Overall, the Council did not design and implement adequate policies and procedures for developing realistic budgets, nor did they adequately monitor and amend the adopted budgets. The Council's budgetary problems are partially attributable to the City's poor accounting records. However, it is the Council's complete lack of oversight in managing City finances that has produced both the unreliable accounting system and unrealistic budgets.

Recommendations

1. The Council should develop a plan to correct the financial record-keeping deficiencies and determine the correct balances in the accounting records.
2. The Commissioner should ensure that the City's accounting records are accurate, maintained timely, and contain sufficient detail to support cash and other general ledger balances. On a monthly basis, the Deputy should reconcile bank statements to cash balances per the accounting records, and post all transactions to the records.
3. Monthly reports to the Council should include the cash balance for each fund and year-to-date budget-to-actual comparisons. The Council should review this information and take appropriate action to avoid additional financial problems.

⁹ The current Commissioner of Finance was newly elected on January 1, 2010 and the first budget he was responsible for was the year 2011.

4. The Commissioner should file the City's AUD with OSC by May 1 each year.
5. The Council should develop a formal Budget Policy that sets forth procedures to guide City officials in preparing a reasonable budget with realistic estimates. The procedures should also address the monitoring of actual results during the year and the related modification of original budget amounts when necessary.
6. When monthly budgetary status reports show signs of budget problems such as accounts that are almost depleted, the Council should act promptly to avoid over-expending appropriations by restricting additional expenditures in that account or amending the budget in a timely manner.
7. The Council should develop short-term and long-term steps to alleviate the apparent fiscal stress in certain City funds.
8. The Council should adopt budgets that are structurally balanced and that contain realistic estimates, based on feedback from department heads, historic trend data, and data obtained from outside sources, as available. Budget decisions should be supported by documentation.
9. The City should be keeping minutes of the budget hearings and budget adoption meetings being held. The Commissioner of Accounts should keep official minutes of all meetings of the Council and have them on file in his office.
10. The Commissioner of Accounts should keep a certified copy of the adopted budget on file in his office.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

City of Mechanicville
36 North Main Street
Mechanicville, NY 12118

(Phone) 518-664-8920
(Fax) 518-664-5362

City of Mechanicville
Finance Department

Pete Chauvin
Commissioner of Finance

Stephanie Proper
Deputy Commissioner of Finance

January 24, 2013

[REDACTED]
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801

Re: Audit of the City Of Mechanicville, Reports and Records

Dear [REDACTED]

The City of Mechanicville wishes to thank the New York State Office of the State Comptroller for completing a thorough review of our records and reports for the audit period January 1, 2010 - February 29, 2012. We are formally acknowledging the receipt of your draft report, and our corrective action plan will be submitted at a later date, within the 90-day time frame set by your office.

The current City of Mechanicville City Council accepts the comments and recommendations in the draft report. This is an opportunity for the City of Mechanicville City Council to improve and correct our Records and Reports.

It should be noted that the City of Mechanicville is structured under the Commission Form of Government. Currently only three municipalities in the New York State are structured under the Commission Form. Although there are advantages to the Commission Form of Government such as; simple organizational structure, works well in emergency situations and, swift direct implementation of policies, there are some disadvantages as well, such as;

- a. There is no one person with overall administrative responsibility of every city department,
- b. It is difficult to elect legislators with administrative abilities,
- c. It is difficult to hire and keep deputies with financial expertise and abilities due to short-term appointments and the fact that such persons are not subject to Civil Service laws, rules, and regulations.

The following is our preliminary response to your ten recommendations; a more thorough response will come with our 90-day corrective action plan.

RECOMMENDATIONS 1-10 RECORDS AND REPORTS

- 1) Develop a plan to correct the financial record keeping deficiencies: The newly hired and qualified Deputy Commissioner of Finance along with the City Council has set forth a plan to correct the accounting and budget records of the City. They have hired an outside Certified Public Accounting firm to update all financial records.
- 2) The Commissioner should ensure the City's accounting records are accurate, maintained timely, and contain sufficient detail to support cash and other general ledger balances...: The Commissioner of Finance appointed a new Deputy Commissioner of Finance who with the independently retained Certified Public Accounting firms has brought all general ledger accounts into balance and has reconciled all bank accounts.
- 3) Monthly reports to the Council should include the cash balance for each fund an year-to-date budget and actual comparisons: The City Council is currently working on instituting a year-to-date budget versus actual comparison by accounts and will have a further update in their 90-day corrective action plan.
- 4) The Commissioner should file the City's AUD with OSC by May 1 each year. The City has filed their 2010 AUD and is in the final stages of filing their 2011 AUD. The Commissioner of Finance believes with the updates already put in place that the 2012 AUD will be filed on or before May 1, 2013.
- 5) The Council should develop a formal Budget Policy that sets forth procedures to guide City officials in preparing a reasonable budget with realistic estimates...: The current 2013 budget was developed using actual figures from 2012 and 2011 along with collaboration of input from the various department heads.
- 6) When monthly budgetary status reports show signs of budget problems such as accounts that are almost depleted, the Council should act promptly to avoid over-expending appropriations by restricting additional expenditure in that account or amending the budget in a timely manner: The Finance Department has switched their accounting software to a municipal geared package named [REDACTED]. As such, this software will enable the City to track actual expenditures to the various appropriated lines, therefore allowing the city to avoid over-expending appropriations.
- 7) The Council should develop short-term and long-term steps to alleviate the apparent fiscal stress in certain City funds: The City Council with already adopted procedures has been able to better budget by appropriated lines and therefore believes that this years' budget more clearly represents the

fiscal solvency of the City. Additional policy information will follow in our 90-day corrective action plan.

- 8) The Council should adopt budget that are structurally balanced and that contain realistic estimate...: See Recommendation 5 response above.
- 9) The City should be keeping minutes of the budget hearings and budget adoptions meetings being held...: All minutes are filed and current in the Commissioner of Accounts' vault and minutes are also online on the City's website.
- 10) The Commissioner of Accounts should keep a certified copy of the adopted budget on file in his office: Certified copies of all adopted budgets covered under this report are currently filed in the Accounts office.

The audit report shares information that is of great concern to the current City Council and as such, we will improve documentation with updated financial policies, procedures, and timely filed financial reports as stated above.

Respectfully,

Anthony Sylvester, Mayor

Peter Chauvin, Commissioner of Finance

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the City's internal controls and accounting records and reports. To accomplish this, we performed an initial assessment of the condition of the City's internal controls, accounting records and reports so that we could design our audit to focus on those areas most at risk. During the initial assessment, we interviewed City officials, performed limited tests of transactions, and reviewed pertinent documents such as City policies and procedures, City's Charter, Council minutes, and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected for further testing the City's records and reports.

During this audit, we examined the City's records and reports for the period January 1, 2010, to February 29, 2012. We also reviewed certain selected financial statement information for periods prior to January 1, 2010 to provide a historical perspective.

To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed City officials who were responsible for financial oversight and maintaining accounting records.
- We reviewed Council minutes and the City Charter to obtain an understanding of the City's policies and procedures.
- We assessed the Commissioner's management of the City's financial information.
- We reviewed the available accounting records including the general ledger, journal entries, bank reconciliations and budget reports.
- We assessed the financial information provided to the Council, and the Council's procedures to provide oversight of City finances.
- We interviewed the Commissioner and the Deputy Commissioner and reviewed the budgets on file to determine if the budgets were accurate and prepared in a timely manner.
- We estimated the amount of revenue collected for the years 2010 and 2011. We reviewed the monthly cash receipts spreadsheets as prepared by the Commissioner of Accounts and prepared an annual summary of cash collections for the year. We added in the amount of the electronic deposits that were not included in the monthly cash receipts spreadsheets, and subtracted out the amount of taxes remitted to the County. (We used the vendor payment information for the County to determine the amount of County taxes remitted.) We then, compared the total cash collections to the deposits on the bank statements for the entire year.

- We estimated the amount of expenditures for the years 2010 and 2011. We reviewed the appropriation ledger as of December 31, 2010 and December 31, 2011. We subtracted out any revenue accounts that were included on these schedules, and then we added back any revenue that was posted to the expenditure. We also subtracted out the prior year's accounts payable and added in the current year's accounts payable.
- To assess the reasonableness of the City's 2012 budgeted revenues, we compared our calculated estimated revenue for the years 2010 and 2011 to the adopted budgets for the years 2010, 2011 and 2012.
- To assess the reasonableness of the City's 2012 budgeted expenditures, we compared our calculated estimated expenditures for the years 2010 and 2011 to the adopted budgets for the years 2010, 2011 and 2012.

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.

APPENDIX C

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