



Town of Carrollton

Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

January 1, 2006 — December 31, 2011

2012M-50



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2012

Dear Town 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 Town Board 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 Town of Carrollton, entitled Internal Controls Over Selected Financial Activities. 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Carrollton (Town) is located in Cattaraugus County and has a population of approximately 1,300 residents. Budgeted appropriations for the 2012 fiscal year totaled approximately \$1.3 million for the general, highway, and four special district funds.

The elected Town Board (Board), consisting of the Town Supervisor (Supervisor) and four Council members, is the legislative body responsible for the general management and control of the Town's financial affairs. The Town also has an appointed Town Clerk (Clerk) who, along with the Board, is responsible for overseeing the day-to-day operations of the Clerk's office.

Scope and Objectives

The objectives of our audit were to examine internal controls over the Clerk's cash receipts from January 1, 2006, to the date of the Clerk's resignation on December 31, 2011, and rental of construction equipment from January 1, 2009, to December 31, 2011, and to verify that the Town complied with the requirements of the real property tax levy limitation. Our audit addressed the following related questions:

- Are internal controls over the Clerk's cash receipts function appropriately designed and operating effectively to safeguard Town assets?
- Are internal controls over the rental of construction equipment appropriately designed and operating effectively?
- Has the Town appropriately complied with the requirements of the real property tax levy limit legislation?

Audit Results

Internal controls over cash receipts in the Clerk's office were not appropriately designed or operating effectively. The former Clerk did not deposit all cash collections into the Clerk's bank account and recorded cash receipts collected in following months toward prior months' liabilities. The former Clerk also did not regularly issue duplicate receipts for moneys received, but rather only when a payee requested one, which made it possible for the former Clerk to collect cash, not record it in her financial records, substitute unrecorded checks for cash, and misappropriate cash receipts without detection. We identified an apparent shortage of \$3,405. The Board did not perform an annual audit of the Clerk's records since 2008, and allowed the former Clerk to perform virtually all of her financial activities

and duties without any oversight. Had the Board performed the required annual audit, it may have recognized the deficiencies within the Clerk's records and the apparent misappropriation of funds.

We also found that the Town rented an excavator for 15 weeks for approximately \$15,000 for the Supervisor's personal use. The Supervisor used it to excavate fill material from his personal property. Although the Supervisor and Town Highway Superintendent claimed that the Supervisor donated his time and fill material excavated from his land to the Town to repair a private road in exchange for using the excavator on his personal property, the Board did not approve or authorize this exchange, and it did not enter into an agreement with the Supervisor.

In addition, the Supervisor failed to appropriately calculate the Town's tax cap limit and submit all necessary information as required prior to the Board adopting the 2012 Town budget. As a result, the Board was unaware it exceeded the Town's tax levy limit while adopting the 2012 budget. The Town's adopted budget includes a tax levy of \$332,312, which exceeds the allowable limit by \$8,327. As required by law, the Town must place the excess amount (\$8,327) in a reserve and use the excess, and any interest earned, to reduce the tax levy for the 2013 fiscal year.

Comments of Local Officials

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

Introduction

Background

The Town of Carrollton (Town) is a rural community located in Cattaraugus County adjacent to the Pennsylvania border. According to the 2010 Census, the Town had a population of approximately 1,300 residents. The elected Town Board (Board), consisting of the Supervisor and four Council members, is the legislative body responsible for overall Town operations. The Supervisor serves as the Town's chief executive and chief fiscal officer.

The Town provides various services to its residents including general administration, road maintenance, snowplowing, and water and sewer service to established special districts within the Town. The Town accounts for its expenditures in the general, highway, and four special district funds. Appropriations for these funds in the 2012 budget totaled approximately \$1.3 million. To finance operations, the Town derives its revenue mainly from a tax levy on real property, user fees, departmental fees, State aid, and grants. The 2012 tax levy was approximately \$330,000.

The Board is responsible for the general management and control of Town finances, including the annual audit of the records of Town officers and employees who receive or disburse money on the Town's behalf. As chief fiscal officer, the Supervisor is responsible for the preparation and filing of all required financial reports. The appointed Town Clerk (Clerk) serves as clerk to the Board and, in addition to issuing and collecting fees for licenses and permits, was responsible, until 2011, for billing and collecting sewer rents. Prior to the commencement of our audit, we were notified by the Supervisor of an alleged theft of unsecured funds from the former Clerk's desk, consisting of undeposited moneys received during October 2011 totaling \$2,045.

Objectives

The objectives of our audit were to examine internal controls over the Clerk's cash receipts and rental of construction equipment and to verify that the Town complied with the requirements of the real property tax levy limit legislation. Our audit addressed the following related questions:

- Are internal controls over the Clerk's cash receipts function appropriately designed and operating effectively to safeguard Town assets?
- Are internal controls over the rental of construction equipment appropriately designed and operating effectively?

- Has the Town appropriately complied with the requirements of the real property tax levy limit legislation?

**Scope and
Methodology**

We examined the Clerk's books and records from January 1, 2006, to her resignation on December 31, 2011, rental equipment charges paid by the Town from January 1, 2009, to December 31, 2011, and the adopted 2011 and 2012 budgets with other relevant information to determine compliance with the tax levy limit legislation.

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.

**Comments of
Local Officials and
Corrective Action**

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

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 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 Board to make this plan available for public review in the Clerk's office.

Town Clerk Cash Receipts

A well-designed system of internal controls is necessary to ensure that cash received by the Town Clerk (Clerk) is safeguarded and that the Clerk's financial activity is properly recorded and reported. The Board and Clerk should ensure that internal controls are in place and working effectively, especially when there is limited segregation of duties. At a minimum, it is imperative that the Clerk issues duplicate receipts, accurately records all moneys received in a suitable cashbook and makes all deposits intact¹ and on a timely basis. The Board is responsible for establishing policies and procedures over the financial activity of the Clerk's office. Also, the Board must oversee the Clerk's financial affairs and annually audit the books and records of the Clerk to ensure accuracy and validity.

Internal controls over cash receipts in the Clerk's office were not appropriately designed or operating effectively, which resulted in an apparent shortage of \$3,405. The former Clerk did not adequately record all cash transactions in a suitable cashbook or regularly issue duplicate receipts for moneys received. Also, she did not deposit cash receipts intact or make all deposits within three days of the total exceeding \$250. In addition, the Board had not audited the Clerk's records since 2008. The former Clerk was able to divert funds because the Board allowed her to perform virtually all her financial activities and duties without any oversight.

Lapping and Shortage

Local government officers are charged with carrying out the functions of their positions in a forthright and honest manner. The responsibilities of the Clerk include issuing and collecting fees for licenses and permits and, until 2011, she also was responsible for billing and collecting sewer rents. This requires maintaining complete and accurate accounting records and ensuring that moneys received are safeguarded and properly deposited into Town bank accounts in a timely manner.

The former Clerk did not deposit all cash collections into the Clerk's bank account and recorded cash receipts collected in following months toward prior months' liabilities, which is commonly referred to as lapping, a method used to conceal a shortage. In 2007, 2008, and 2009, she made sizeable deposits from her personal bank account, and from those of family members, into the Clerk's official bank account. These deposits generally addressed the accumulated shortage to that point in time.

¹ Moneys collected must be deposited intact, that is, in the same order and form (cash or check) in which they were received.

To ensure that this method of misappropriation remained concealed, the former Clerk needed to continue applying future receipts to prior liabilities without interruption. However, in December 2010, instead of depositing funds from her personal bank account, the former Clerk deposited sewer rents totaling \$1,088 into the Clerk’s account. When the Town’s bookkeeper questioned the resulting shortage in the sewer account, the former Clerk partially reimbursed the sewer account in April 2011 with a \$987 check written from her Clerk bank account, leaving a \$101 shortage in the sewer account. On the same day that the former Clerk wrote the \$987 check to the sewer account, \$952 in unaccounted for cash and a \$35 check for a building permit were deposited into the Clerk’s account.

The lapping in the Clerk’s account continued during the 2011 fiscal year. According to the former Clerk, she collected \$2,045² in Department of Environmental Conservation hunting license fees during October 2011, which she told the Supervisor was stolen from her desk in November 2011. The Supervisor notified the State Police of the missing money. We reviewed the former Clerk’s collection and deposit activity from January 1, 2006, to December 14, 2011³ and found a total apparent shortage of \$3,405, as follows:

Bank balance:	\$1,666
Add: Checks purchased from the bank	\$34
Less: Missing DEC hunting license fees	(\$2,045)
Less: Outstanding checks	(\$113)
Less: November liabilities	(\$1,518)
Less: Unrecorded liabilities ^a	(\$1,310)
Less: Unpaid liabilities ^b	(\$119)
Total apparent shortage	(\$3,405)
^a Refer to the Deposits and Accounting Records section for more information. ^b This includes the \$101 shortage in the sewer account and a \$17 accumulated unpaid liability from January 2006 to December 2011 between the amounts that the former Clerk collected and recorded in her cashbook and the amounts paid to the Supervisor.	

When we asked the former Clerk about this apparent shortage, she could not provide any explanation beyond the \$2,045 she claimed was stolen. The former Clerk was able to divert funds because the Board allowed her to perform virtually all her financial activities and duties without any Board oversight.

² Her records indicated that she had only \$1,215 in undeposited October receipts as of the date of the alleged theft.

³ The former Clerk resigned effective December 31, 2011, but no Clerk activity was recorded between December 14 and December 31, 2011.

Duplicate Receipts

General Municipal Law requires the Clerk to issue a duplicate receipt⁴ at the time payment is collected when no other evidence of receipt is available. It is essential for the Clerk to issue duplicate receipts that indicate the payee name, purpose, and form of payment received (e.g., cash or check), to document individual collections and to help ensure that she has correctly entered all transactions in her accounting records.

While the former Clerk recorded collections of approximately \$22,000 annually, she did not regularly issue duplicate receipts for moneys received, but rather only when a payee requested one. No receipt books or dog license documentation were made available for our review.

When duplicate receipts that indicate the type of payment are not issued, Town officials are unable to verify that all receipts are recorded in the Clerk's cashbook, deposited intact in the bank, and reflected on monthly reports. As a result, the former Clerk was apparently able to collect cash, not record it in her financial records, substitute unrecorded checks for cash, and misappropriate cash receipts without detection.

Deposits and Accounting Records

The Clerk must deposit all moneys collected intact and record the collection accurately in the financial records. Also, according to Town Law, the Clerk must deposit all moneys collected within three days after the total collected exceeds \$250.

The former Clerk did not deposit cash receipts received intact or make all deposits within three days of the total exceeding \$250. While reviewing the former Clerk's records, we found that she collected \$5,765 during September 2011, but did not make corresponding deposits until September 28th, October 17th and 20th, which was six to 20 days later than they should have been deposited. Also, she did not deposit these receipts intact, and did not deposit the entire amount collected.⁵

⁴ A "duplicate" receipt is one that has more than one copy associated with each single receipt issued to a payer. For example, one receipt issued may have two copies associated with it: one given to the payer, and one retained by the payee. These duplicate copies allow the individual who paid the monies, and the entity that received the monies, to each retain a receipt as proof of that payment.

⁵ While the Clerk's records indicated that she had collected \$5,765 in September 2011, her corresponding deposits totaled only \$5,664, a difference of \$101. This is not the same \$101 shortage identified in the sewer account.

In addition, while reviewing bank deposit compositions, we found that the former Clerk was not recording all cash receipts. We identified \$1,310⁶ in checks that were deposited into the Clerk's bank account that she did not record in her cashbook or remit to the Supervisor. For example, a deposit made on June 2, 2011, included \$100 in checks from Town employees reimbursing the Town for store club memberships purchased on their behalf. These checks were not recorded in the Clerk's records, and Town officials could not provide us with any evidence that the former Clerk turned it over to the Supervisor. When collections are not documented by receipts and recorded in a cashbook, any cash collected and not documented, recorded, and deposited could be misappropriated.

Board Oversight

The Board is required to audit the Clerk's records on an annual basis to provide assurance that moneys collected by her are handled properly. It is important to document what records were reviewed and the results of the audit to provide assurance that the Board is properly reviewing the Clerk's records.

The Supervisor told us that the Board had not audited the Clerk's records since he had taken office in 2008. Had the Board performed the required annual audit, it would likely have recognized the deficiencies within the Clerk's records and the apparent misappropriation of Town moneys.

Recommendations

1. Town officials should refer the shortage identified in this report to the District Attorney's office for investigation.
2. The Board and Town officials should adopt comprehensive policies and procedures for cash collections that require the Town Clerk to issue duplicate receipts, accurately record all collections, and deposit collections intact and in a timely manner.
3. The Board should provide increased oversight over the Clerk's activities, such as periodically reviewing or performing monthly bank reconciliations and monthly accountabilities.
4. Town officials should audit the Clerk's records and reports at least annually.

⁶ \$771 for store club memberships, \$235 for junkyard licenses, \$182 in sewer payments, \$77 for reimbursement of expenses, a \$25 building permit, and a \$20 vital records fee

Personal Use of Town Assets

Public assets cannot be used for the personal benefit of Town officials or employees. Town officials must show leadership in carefully safeguarding Town assets and other public resources that are entrusted to them. To achieve these goals, officials must establish policies and procedures that will govern operations, communicate these broadly, and then ensure that all Town employees, including management, comply with these policies and procedures. The foundation of any good internal control system is competent managers with integrity who attentively monitor operations. To establish the proper control environment (i.e., “tone at the top”), Town officials must act with the highest ethical standards and adhere to the same rules and policies that they expect all other staff to follow.

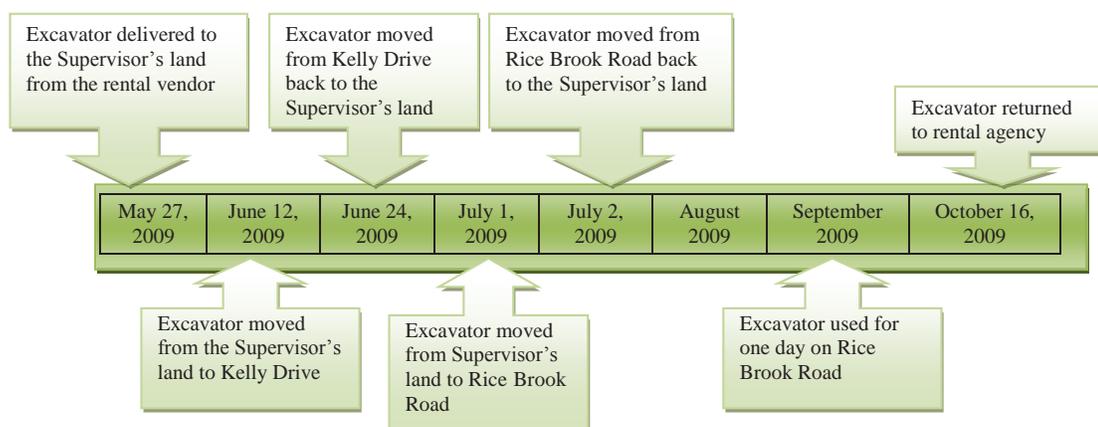
The Board and other Town officials failed in preventing the Town Supervisor from using Town resources for his personal benefit, which cost the Town nearly \$15,000.

During 2009, the Board authorized the Town’s assumption of control and maintenance of a private road, Kelly Drive, after it was repaired at the adjoining property owners’ expense.⁷ The Town rented an excavator in May 2009 to perform the Kelly Drive repairs. However, the Supervisor then had the excavator moved to his personal property. During the entire 20 weeks that the Town rented the excavator, Town employees used it for a little more than four weeks on two separate projects: the Kelly Drive and Rice Brook Road projects. The rental cost for the 20-week rental was \$25,000, while the cost for the two projects was \$10,800,⁸ which leaves \$14,200 in excessive rental costs paid by the Town.

According to highway department claims for hauling and the Highway Superintendent, each time work on the two Town projects was completed, the excavator was delivered to the Supervisor’s property where it remained for approximately 15 weeks before being returned to the vendor, as illustrated:

⁷ Town Law provides procedures for owners of property fronting on a private road to petition the Board to make necessary improvements to qualify the road to be accepted as a Town highway. All the costs incurred by the Town must be paid by the abutting property owners on the basis of the benefit to their property.

⁸ Based on Highway department time records and Board minutes, we computed that the equipment rental costs incurred by the Town for the Kelly Drive project were approximately \$6,400 and for the Rice Brook Road project were \$4,400. This includes approximate rental costs of \$7,100 for an excavator, \$1,500 for a bulldozer, \$1,100 for a low-bed heavy equipment mover, \$900 for initial and final transport of the excavator, and \$200 for cleaning and maintenance of the equipment.



The Supervisor and the former Highway Superintendent both told us that the Supervisor donated his time and fill material excavated from his land to the Town to repair Kelly Drive in exchange for the Supervisor using the excavator on his personal property. However, the Board did not approve or authorize this exchange, and it did not enter into an agreement with the Supervisor. In addition, the Supervisor and Town officials could not provide us with detailed records to identify the value of the Supervisor's time and fill material related to the excavator rental. The Town may have to report the value of the use of the equipment as income to the Supervisor, which could have tax implications for the Town.

When we asked the Supervisor for an explanation for the excessive length of time that the excavator was in his possession, he told us that he thought the rental company was going to pick up the excavator while he was on vacation, but the rental company actually was waiting for the Supervisor to notify the company when it could retrieve the excavator. However, this explanation does not account for the entire 15 weeks that the excavator was in the Supervisor's possession. In addition to the questionable nature of the equipment rental, the Town also reimbursed the Supervisor for approximately \$600 in fuel costs for the excavator. Town officials could not provide us with any supporting documentation for this claim, such as original receipts, and they could not provide us with any evidence that the Board had audited and approved the claim for payment.

Also, the Town did not properly bill Kelly Drive residents for the equipment rental costs incurred by the Town for the Kelly Drive project. These residents paid only \$2,500 for the project, but we calculated that the rental cost for this project was \$6,400; residents were underbilled by \$3,900.

Recommendations

5. The Board, in conjunction with the Highway Superintendent, should adopt comprehensive policies and procedures for the adequate oversight and control over all equipment rented by the Town.

6. The Board should recoup \$3,900 in excavator rental costs and any additional fuel costs for the Kelly Drive improvements from the adjoining property owners.
7. The Board should consult with legal counsel to determine if it is possible to recoup \$14,200 in excavator rental costs and \$600 in fuel costs, a total of \$14,800, from the Supervisor.

Property Tax Cap

The State Legislature enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments and school districts, which is effective for fiscal years that begin in 2012. The law precludes a local government from adopting a budget that requires a tax levy that exceeds the prior year's tax levy by more than 2 percent or the rate of inflation, whichever is less,⁹ with certain exclusions permitted by law, unless the governing board adopts a local law to override the tax levy limitation. The law also states that all local governments subject to this legislation shall, prior to adopting a budget for the coming fiscal year, submit to the Office of the State Comptroller (OSC) any information necessary for calculating the tax levy limit.

The Supervisor failed to appropriately calculate the Town's tax cap limit and submit all information necessary to OSC as required prior to the Board adopting the 2012 Town budget. As a result, the Board was unaware it exceeded the tax levy limit while adopting the 2012 budget. The Town's adopted budget includes a tax levy¹⁰ of \$332,312, which exceeds the allowable tax levy of \$323,985 by \$8,327.

During our audit, the Supervisor told us that he had informally performed the calculations prior to presenting the budget to the Board and believed the Town was under the statutory limit. He also stated that while he was aware that his calculations needed to be filed with OSC, he failed to ensure that necessary items were actually filed.

As required by law, the Town must place the excess amount (\$8,327) in a reserve and use the excess, and any interest earned, to reduce the tax levy for the 2013 fiscal year. A separate bank account should be used to segregate these moneys for this purpose.

Recommendations

8. The Supervisor should record the excess tax levy in a reserve and deposit this amount in a separate Town bank account.
9. The Supervisor should file corrected tax cap forms with OSC.

⁹ Our office determined that the rate of inflation applicable to towns with a fiscal year beginning January 1, 2012, is greater than 2 percent. Therefore, the property tax levy increase is capped at 2 percent.

¹⁰ The 2011 tax levy of \$312,620 increased by the tax base growth factor (1.012), the levy growth factor (1.02), and the pension exclusion (\$1,286), as permitted by the legislation.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF CARROLLTON

640 Main Street SUITE 1

Limestone, NY 14753

716-925-8842 EXT #3

JULIE CARLSON, TOWN CLERK

DAVID FREDERICK, TOWN SUPERVISOR

BOARD MEMBERS: FLORENCE FULLER, BRIAN JACOBY, RALPH BOTTONE, RICK PECORA

TITLE: TOWN OF CARROLLTON- INTERNAL CONTROLS OVER SELECTED FINANCIAL ACTIVITIES.

AUDIT REPORT NUMBER: 2012M-050

FINDINGS: INTERNAL CONTROLS OVER CASH RECEIPTS IN THE CLERK'S OFFICE WERE NOT APPROPRIATELY DESIGNED OR OPERATING EFFECTIVELY.

RESPONSE: THE BOARD ACCEPTS THE FINDINGS OF THE PREVIOUS TOWN CLERK DUE TO THE FACT ALL DOCUMENTATION WAS ACCURATE.

PLAN OF ACTION: THE TOWN CLERK ACCOUNT WILL BE AUDITED BY THE BOARD RANDOMLY AND IF BUDGET ALLOWS WILL HIRE A PRIVATE AUDITOR TO COME IN ONCE A YEAR. THE TOWN CLERK WILL HAVE A RECEIPT BOOK AND LEDGER FOR EACH TYPE OF LICENSE: DOG, MARRIAGE&DEATH CERTIFICATES, HUNTING&FISHING, BUILDING PERMITS, WATER & SEWER PAYMENTS, LOCAL ACCOMODATIONS SUCH AS FAX AND COPY MACHINE USAGE. PAPERWORK WILL BE PROVIDED TO BACK EACH TRANSACTION. REQUESTS FOR COPIES OF MARRIAGE LICENSES MUST BE ON PAPER AS WELL AS DEATH CERTIFICATES. THE CLERK WILL BE REQUIRED TO MAKE DEPOSITS REGULARLY SO THAT NO MORE THAN \$250.00 WILL BE IN THE OFFICE OVER 3 BUSINESS DAYS.

FINDINGS: OVER THE TAX CAP, FAILURE TO FILE CORRECT TAX CAP FORMS WITH OFFICE OF STATE COMPTROLLER.

RESPONSE: THE BOARD AGREED THEY WENT OVER THE TAX CAP, AND WILL FOLLOW THE RECOMMENDATIONS GIVEN BY THE STATE COMPTROLLERS OFFICE.

PLAN OF ACTION: MAKE A SEPARATE BANK ACCOUNT TO BE USED TO SEGREGATE THE MONEYS FOR THIS PURPOSE.

FINDINGS: MONEYS OWED FROM KELLY DRIVE RESIDENTS, MISUSE OF EXCAVATOR, PERSONAL USE OF TOWN ASSETS.

RESPONSE: BASED ON THE COST BREAKDOWN FROM THE PREVIOUS HIGHWAY SUPERINTENDENT, THE HOURS PUT ON THE EXCAVATOR FOR THE KELLY DRIVE PROJECT WERE ACCURATE AND THE KELLY DRIVE RESIDENTS WERE CHARGED ACCORDINGLY. THE KELLY DRIVE PROJECT WAS ABOUT 55-60% COMPLETE WHEN THE RICE BROOK PROJECT HAD STARTED. THE TOWN SUPERVISOR AND PREVIOUS HIGHWAY SUPERINTENDENT DISAGREED THAT THE EXCAVATOR WAS USED TO BUILD HIS HOUSE. THE HOUSE WAS BUILT 2 YRS BEFORE THE KELLY DRIVE AND RICE PROJECT WAS STARTED. THE EXCAVATOR DID SIT ON THE SUPERVISOR'S PROPERTY BECAUSE THE TOWN HAD NO MEANS OF TRANSPORTING IT WITHOUT PAYING A TRANSPORT FEE. THE FILL WAS GIVEN TO THE TOWN FROM THE SUPERVISOR'S PROPERTY TO DO THE KELLY DRIVE PROJECT AND RICE BROOK PROJECT. THE TOWN SUPERVISOR DID NOT CHARGE THE TOWN FOR HIS TIME AND OR FILL USED FOR THESE PROJECTS. HIS TIME AND LABOR WAS ALL DONATED AND THIS DID NOT IMPROVE HIS PROPERTY. USING THE FILL FROM HIS PROPERTY AND RENTING AN EXCAVATOR AND DOING THIS PROJECT ON THEIR OWN AND NOT BIDDING IT OUT PROVED TO BE LESS EXPENSIVE. THERE WAS NOT A CONTRACT DRAWN UP FOR THE DONATION OF THE FILL, BECAUSE THERE WAS NO MONEY EXCHANGED. ALL AGREEMENTS WERE VERBAL. THE REASON THE EXCAVATOR WAS NOT RETURNED TO THE RENTAL AGENCY WHEN NOT IN USE FOR THE PROJECTS WAS BECAUSE THE PREVIOUS HIGHWAY SUPERINTENDENT STATED THE AVAILABILITY, TRANSPORTATION COST, AND THE OVER-SIZE COST. THE PREVIOUS HIGHWAY SUPERINTENDENT AT THE TIME OF THE PROJECTS WAS THE ONE RESPONSIBLE FOR GETTING AND RETURNING THE EQUIPMENT AS WELL AS SETTING UP THE PROJECTS. THE TIMELINE SHOWS THE EXCAVATOR SITTING ON THE PROPERTY OF THE TOWN SUPERVISOR'S, HOWEVER THE HIGHWAY SUPERINTENDENT AND TOWN WORKERS WERE BUSY WORKING ON THE FLOOD THAT CAME ON AUGUST 9TH, 2009. AT THAT TIME ALL PROJECTS CAME TO A HALT AND THE DAMAGES CAUSED BY THE FLOODING BECAME TOP PRIORITY. THERE ARE HIGHWAY WORKERS TIME LOGS TO SUPPORT THE TIME AND DATES AND MANPOWER PUT INTO THE FLOOD. THE MINUTES OF SEPTEMBER 2009 STATED THAT THE HIGHWAY SUPERINTENDENT

See
Note 1
Page 18

See
Note 2
Page 18

HAD ATTENDED ABOUT 7 MEETINGS FOR THE FLOOD AND TO GET FEMA. THE EXCAVATOR WAS USED FOR MORE THAN THE TWO PROJECTS LISTED ORIGINALLY. THE VILLAGE WHICH WAS NOT DISSOLVED AT THE TIME WAS PROVIDED MUTUAL AID BY THE TOWN AND ALSO HAD USE OF THIS EXCAVATOR. THE EXCAVATOR WAS USED TO AID IN THE CLEAN-UP AND TO FIX PARKSIDE DRIVE SOUTH SINK-HOLE. THE BOARD FEELS THAT THE VILLAGE RECORDS SHOULD BE RESEARCHED FOR USE OF THE EXCAVATOR.

See
Note 3
Page 18

THINGS NOT TAKEN INTO CONSIDERATION: HOURS OF USAGE, FUEL LOGS, FLOOD IN 2009, VILLAGE PROJECTS.

THE TOWN SUPERVISOR WAS PAID \$600 IN FUEL COSTS, HOWEVER BASED ON THE HOURS OF USAGE ON THE MACHINE IT WAS JUSTIFIED.

See
Note 4
Page 18

PLAN OF ACTION: THE BOARD WILL HAVE THE HIGHWAY DEPARTMENT PROVIDE MORE ACCURATE DOCUMENTATION OF TIME LOGS. THIS WILL INCLUDE EQUIPMENT AND LOCATION USAGE, DATE AND TIME, FUEL USAGE AND MILEAGE BEFORE AND AFTER USE. IT WILL PROVIDE CONDITION OF EQUIPMENT IN AND OUT AS USED. MORE DOCUMENTATION WILL BE USED TO BACK UP THE PROJECTS WORKED ON.

signed by David Frederick

TOWN SUPERVISOR

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

Our analysis of costs attributable to the Kelly Drive project was not based on machine hours, because no such documentation was provided for our review. Our calculations, and the invoices for the equipment rental, were based on calendar days that the equipment was rented and supporting records (invoices for the movement of the equipment and employee time records) that were directly attributed to the Kelly Drive project. According to Town records, work conducted at Rice Brook Road began in early July 2009. According to the June 24, 2009, meeting minutes, the Supervisor stated that work for Kelly drive “should be done in the next couple of days.” This contradicts the statement in the Town’s response that as of July 1st, approximately 55 to 60 percent of the work was complete. Subsequent to the completion of fieldwork, we met with the Supervisor. Based on information that he provided during this discussion, we removed our commentary referring to work being performed in conjunction with his house construction and clarified that the excavator was used for work on his private property. We notified the Town of this change at the exit conference.

Note 2

According to the rental invoices, the Supervisor, not the former Highway Superintendent, was listed as both the person who originally ordered the equipment and the person who signed for it.

Note 3

The Town had no means of transporting the excavator from the Supervisor’s property without paying a transport fee. No other invoices for transport fees were provided to us to support any other work conducted other than the two projects listed in our report. In addition, the current Highway Superintendent, who was an employee in the highway department during this time period, stated that the rented excavator was not used for flood damage repairs and that a different excavator was used to repair the sink hole in the Village.

Note 4

As stated in the report, the Supervisor did not provide supporting documentation that fuel was purchased by him to warrant the reimbursement.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition, cash receipts and disbursements, Supervisor's records and reports, purchasing and claims processing, and payroll and personal services.

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions and reviewed pertinent documents such as Board minutes, bank statements, and available financial records.

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 on the reported objectives and scope by selecting for audit those areas most at risk. We selected to audit internal controls over cash receipts in the Town Clerk's office, equipment rental, and the Town's compliance with the tax levy limit legislation.

To accomplish the objectives of this audit, we performed the following audit procedures:

Town Clerk cash receipts

- We interviewed local officials to determine what policies and procedures were in place for the cash receipts function.
- We reviewed cashbooks and interviewed local officials to identify all revenue sources for the Town Clerk's office.
- We scheduled and reviewed all recorded revenues from January 1, 2006, through December 31, 2011, and compared them against deposits made.
- We requested and reviewed bank deposit compositions from the Town's bank (bank recorded images of items deposited) for the period January 1, 2006, through December 31, 2011, to identify items received and deposited but not recorded in the Town Clerk's cashbook.

Personal use of Town assets

- We reviewed the minutes of the Board's proceedings and payment vouchers from January 1, 2009, through January 31, 2012, to identify equipment rented by the Town.
- We interviewed past and current Town officials to determine the extent to which rented equipment was used for Town projects.

- We prepared a timeline of equipment rented during 2009 to identify the length of time that equipment was in the Town's possession and where the equipment was located.
- We scheduled and reviewed all equipment rental invoices to determine the appropriateness of the amount charged to Kelly Drive residents.

Property tax cap

- We interviewed appropriate Town officials.
- We reviewed the tax levies from the adopted budgets for the 2011 and 2012 fiscal years.
- We consulted documentation prepared by the New York State Department of Taxation and Finance to determine the Town's tax base growth factor.
- We performed the necessary tax cap compliance calculations and reviewed these calculations with local officials to ensure the accuracy of information obtained.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D

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