



Town of Herkimer

Financial Management and Internal Controls Over Selected Financial Operations

Report of Examination

Period Covered:

January 1, 2010 — April 30, 2011

2011M-288



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government
and School Accountability

March 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 Herkimer, entitled Financial Management and Internal Controls Over Selected Financial Operations. 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 Herkimer (Town) is located in Herkimer County and has a population of approximately 10,000. The Town is governed by a Town Board (Board) which consists of four elected Board members and an elected Town Supervisor. The Town Supervisor (Supervisor) serves as both the chief executive officer and chief fiscal officer. As chief fiscal officer, the Supervisor is responsible for virtually all of the Town's financial duties, including receipt and disbursement of Town moneys, maintaining financial records, and preparing various financial reports. The Board is responsible for overseeing the Town's operations and finances.

The Town's 2011 adopted budget totaled approximately \$2.5 million. Expenditures are primarily funded with revenues from property taxes, State aid and sales tax.

Scope and Objective

The objective of our audit was to review the Town's internal controls over selected financial operations for the period January 1, 2010 to April 30, 2011. We extended our scope back to 2006 for fund balance and budget analysis. Our audit addressed the following related questions:

- Did the Board have adequate financial management procedures in place to govern the level of unreserved fund balance to be maintained and was the amount reasonable?
- Are internal controls over the collection of water rents appropriately designed and operating effectively to adequately safeguard Town assets?
- Are internal controls over the information technology environment appropriately designed and operating effectively to adequately prevent unauthorized access to systems and data?

Audit Results

The Board has not adopted policies and procedures to monitor and control the level of unreserved, unappropriated fund balance and has not adopted realistic budgets. As a result, Town officials consistently underestimated revenues and/or overestimated expenditures in three major operating funds. This resulted in operating surpluses and excessive fund balances in the three funds. For example, the Town-Wide General Fund unreserved, unappropriated fund balance as of December 2010 was \$657,525 or 84 percent of the ensuing year's budgeted expenditures for this fund.

The Town has not properly maintained or reconciled a water receivable control record with individual customer account balances. In addition, the Board has not developed procedures to insure that receipts posted to customer accounts as paid were actually deposited in the bank. As a result, there is an increased risk that water rents could be received and recorded as paid, but not deposited. Of the 25 customer accounts tested, all payments were properly recorded and deposited and unpaid bills were properly accounted for.

Finally, the Town needs to improve its internal controls over information technology (IT). The Town failed to adopt IT policies and procedures relating to computer use, security and disaster recovery planning, data backup procedures and procedures for the cleaning and removal of sensitive data from computers scheduled for disposal. As a result, the Town has an increased risk that data will be lost or misused.

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 they planned to initiate corrective action.

Introduction

Background

The Town of Herkimer (Town) is located in Herkimer County and has a population of approximately 10,000. The Town is governed by a Town Board (Board) which consists of four elected Board members and an elected Town Supervisor.

The Town provides various services to its residents, including snow removal, road maintenance, water service, and park maintenance. The Town's 2011 adopted budget totaled approximately \$2.5 million. Expenditures are primarily funded with revenues from property taxes, State aid and sales tax.

The Town Supervisor (Supervisor) serves as both the chief executive officer and chief fiscal officer. As chief fiscal officer, the Supervisor is responsible for virtually all of the Town's financial duties including receipt and disbursement of Town moneys, maintaining financial records and preparing various financial reports. The Board is responsible for overseeing the Town's operations and finances. The Town Clerk collects property taxes, water rents, and other charges and fees payable to the Town.

Objective

The objective of our audit was to review the Town's internal controls over selected financial operations. Our audit addressed the following related questions:

- Did the Board have adequate financial management procedures in place to govern the level of unreserved fund balance to be maintained and was the amount reasonable?
- Are internal controls over the collection of water rents appropriately designed and operating effectively to adequately safeguard Town assets?
- Are internal controls over the information technology environment appropriately designed and operating effectively to adequately prevent unauthorized access to systems and data?

Scope and Methodology

We examined the Town's financial records for the period January 1, 2010 to April 30, 2011. We extended our scope back to 2006 for fund balance and budget analysis. Our audit disclosed areas in need of improvement concerning information technology controls. Because of the sensitivity of some of this information, certain vulnerabilities are not discussed in this report but have been separately communicated to Town officials so they could take corrective action.

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 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 they planned to initiate corrective action.

The Town Board (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 Town Clerk's office.

Financial Management

The Board is responsible for making sound financial decisions that are in the best interest of the Town and the taxpayers that fund its operations. This responsibility requires the Board to balance the level of services desired and expected by Town residents with the ability and willingness of the residents to pay for such services. The Board must adopt structurally balanced budgets for all operating funds that provide for sufficient revenues to finance recurring expenditures.

The Town may retain a reasonable portion of fund balance, referred to as unreserved, unappropriated fund balance, to use as a financial cushion in the event of unforeseen financial circumstances. In addition, the Town can legally set aside and reserve portions of fund balance to finance future costs for a variety of specified objects or purposes. It also is important that the Town has long-term plans in place to ensure that moneys accumulated in operating funds are used for appropriate and authorized purposes. Therefore, it is important that the Board maintain only a reasonable amount of fund balance and adopt budgets that include realistic estimates of revenues and expenditures and use surplus fund balance as a funding source, when appropriate.

The Board has not adopted a policy and Town officials have not developed procedures to govern the level of unreserved, unappropriated fund balance to be maintained. The following table illustrates unreserved, unappropriated fund balance trends over a three year period:

Table 1: Unreserved, Unappropriated Fund Balance as a Percentage of the Ensuing Year’s Budget

Fiscal Year End	General Town-Wide	%	General Part-Town	%	Highway Part-Town	%	East Herkimer Water District	%
2008	\$519,181	63 %	\$62,636	136 %	\$480,269	80 %	\$409,904	284%
2009	\$623,408	80 %	\$71,070	93 %	\$546,316	100 %	\$403,967	279%
2010	\$657,525	84 %	\$109,449	146 %	\$460,207	83 %	\$344,037	179%

The Board consistently underestimates revenues and/or overestimates expenditures in these four funds, which results in operating surpluses and continuing excessive fund balances.¹ The general Town-wide budgets underestimated revenues by \$51,948 in 2008, \$62,751 in 2009, and \$31,889 in 2010. For example, the Board budgeted \$32,000, \$35,000, and \$40,000 for court fines revenue over

¹ The Highway Fund Town-Wide had fund balance that was not excessive. The Town also has two small water districts that did not have excessive fund balance.

these three years when actual revenues were \$56,325, \$50,434 and \$49,791 – a total of almost \$50,000 more than budgeted. Similarly, the Board overestimated expenditures by \$90,022 in 2008, \$105,433 in 2009, and \$81,228 in 2010. As an example, the Board budgeted the garage contractual expenditure account for \$37,000, \$41,000, and \$36,000 over these years, even though actual expenditures were only \$33,196, \$31,787, and \$29,490 – a total of almost \$20,000 less than budgeted. While some of the variances in the individual revenue and expenditure accounts are not significant as a percentage, consistently underestimating revenues and overestimating appropriations resulted in operating surpluses and a continuing increase in fund balance. Operating surpluses were \$48,970 in 2008, \$68,184 in 2009, and \$49,160 in 2010, even though the budgets for these years planned for operating deficits through appropriation of fund balance of \$93,000, \$100,000, and \$63,957.

Table 2: General Town-Wide Budget vs. Actual			
	2008	2009	2010
Original Budget - Estimated Revenues	\$765,929	\$711,693	\$708,874
Total Revenues	\$817,877	\$774,444	\$740,763
Over Budget	\$51,948	\$62,751	\$31,889
Percentage Variance	7%	9%	4%
Original Budget - Appropriations	\$858,929	\$811,693	\$772,831
Total Expenditures	\$768,907	\$706,260	\$691,603
Under Budget	\$90,022	\$105,433	\$81,228
Percentage Variance	10%	13%	11%
Net Over/under estimated Revenues and Expenditures ^a	\$141,970	\$168,184	\$113,117
^a Due to appropriated fund balance, operating surplus was lower than the net amount.			

As illustrated in Table 1, the Town has more than sufficient resources to address unexpected occurrences that it may encounter during the course of the fiscal year. As such, the Board does not need to continue to be overly conservative in its budgeting practices.

An important aspect of budget preparation includes a reasonable estimate of the amount of fund balance that will be available at the end of the fiscal year. Information concerning the amount of reserved and unreserved fund balance available for appropriation has an impact on the amount of tax levy needed to fund the subsequent fiscal year's budget, as well as setting water charges. It is prudent to either maintain enough fund balance to protect against unforeseen circumstances or to budget conservatively. When budgets are small,

a reasonable fund balance may be a higher percentage of the next year's expenditures than it would be with a large budget. However, maintaining a substantial fund balance in addition to budgeting very conservatively results in a higher tax levy than necessary.

Recommendations

1. The Board should adopt budgets that contain more realistic revenue and expenditure estimates.
2. The Board should develop a plan to reduce the unreserved, unappropriated fund balance in its operating funds. If the Board believes it is necessary to accumulate money for a future planned purpose, it should consider formally establishing authorized reserves as provided for in statute. The Board may also choose to use the excess fund balance to pay one-time expenses, such as capital projects, or to reduce future tax levies.

Water Use Charges

An adequate set of internal controls over the collection of water rents includes implementing procedures to ensure that water rent receipts are properly recorded and deposited, and maintaining a receivable control account.² Periodically, this control account should be reconciled to the amounts billed and collected and the remaining unpaid balance of the control account should be reconciled with totals of individual customer account balances. This control activity helps to ensure the accuracy and completeness of transactions that have been posted to the Town's accounts. A critical element of the reconciliation process is the resolution of differences by identifying, investigating, and explaining them.

The Town has three water districts that provide services to approximately 390 customers. In 2010 the Town reported water sales revenue of about \$134,000. Customers in two districts have water meters that are read by an employee of the Town. The Town Clerk³ records the meter readings onto a printout which she then submits to the Herkimer County Information Services Department (HCISD). HCISD inputs the readings onto the County's computer system. Once the readings are entered, the County generates a billing report which is verified by the Town Clerk. After the verification is complete, the County prints the water bills which are then sent out to the customers. The third district has only one customer, billed at a set amount based on an agreement with the Town.

The Town Clerk collects and deposits the money for one of the districts while the water meter reader collects and deposits the money for two of the districts. Payment stubs returned by customers with their payments are remitted to HCISD, which records the payments in the individual customer accounts. However, no one independent of the cash collection process compares the amounts posted to customer accounts as collected with the amounts deposited into the bank. As a result, there is an increased risk that water rents could be received and recorded as paid, but not deposited.

² A control account is a summary account in the general ledger. The details that support the balance in the summary account are contained in individual customer accounts. The purpose of the control account is to maintain an overall summary of the individual transactions for each customer. The control account is updated with total amounts, such as total collections for the day, week or month; total billings for the quarter, total adjustments for erroneous billings or for relieved amounts that are added to the Town taxes.

³ The Town Clerk has a deputy who assists with duties related to the billing and collection of water rents.

Although the bookkeeper maintains a receivable control account in the Town's accounting records, she does not reconcile the account to the detailed customer accounts. The budget officer periodically adjusts the control account balance in the accounting records to agree with the total of the individual account balances reported by the Town Clerk. Rather than serving as a "check and balance," the water receivable account is routinely adjusted up or down in order to reconcile with the individual detail of outstanding customer balances. The intent of a control account is to serve as a check or verification of the balance in the detail accounts. The current system does not accomplish this.

Because of these internal control weaknesses, we sampled 25 water customer accounts selected from three billing cycles and three districts. We determined that the accounts selected were properly billed based on meter readings and that amounts due were collected and deposited. Amounts that remained uncollected were either a part of the subsequent bill or listed on a relevy list to be added to the taxes.⁴ All payments were properly recorded and deposited and unpaid bills were properly accounted for.

Recommendations

3. The Board should review internal controls over the collection, accounting and recording of user charges and take a more active role in providing a detailed supervisory review of the related activities.
4. The Board should appoint someone independent of the cash collection process to ensure that receipts posted to customer accounts are supported by an amount deposited into the Town's bank account.
5. The Board should ensure that a control account is properly maintained and reconciled with individual customer accounts, and any differences are investigated.

⁴ We selected our sample of the first district composed of 355 accounts by selecting every 18th account for a total of 20 accounts from the October 2010 billing. The second district consists of 36 accounts. We began our selection by starting with the ninth account and selecting every ninth account thereafter for a total of four accounts from the September 2010 billing. There is one account in the third district and we selected two billings October 2010 and January 2011 for the one account.

Information Technology

The Town's information technology (IT) system is a valuable and essential part of operations used for communicating, processing and storing data, and reporting to the Board as well as to various State agencies. If the IT system fails, the resulting problems could range from inconvenient to severe; even small disruptions in electronic data systems can require extensive effort to evaluate and repair. The Board is responsible for adopting policies and procedures and developing controls to safeguard computerized data and assets.

Controls over the Town's IT system are not adequate to prevent unauthorized access to systems and data. The Board has not established policies and procedures relating to the security of data and assets, including a formal disaster recovery plan. As a result, the Town has an increased risk that data will be lost or misused.

Policies and Procedures

A good system of IT internal controls starts with policies to define appropriate user behavior, and the tools and procedures necessary to protect information systems. It is important for Town officials to adopt computer use policies to define appropriate user behavior. Such policies should include procedures governing the acceptable use of computers, internet access, electronic mail and portable devices, and procedures for information security. In addition, the policy should have procedures that require sensitive data and software to be removed from computers when they are retired from use, and should clearly assign that responsibility. Town officials should distribute acceptable computer use policies to all employees that have authorized access to the Town's computers.

The Board has not adopted IT policies and procedures addressing computer use, security planning, and cleaning and removal of sensitive data from computers scheduled for disposal. These control weaknesses increase the risk that the Town's IT system and electronic data may be susceptible to loss, unauthorized use, or improper disclosure. Without comprehensive policies that explicitly convey the appropriate use of the Town's electronic equipment, Town officials cannot ensure that users are aware of their responsibilities and there are no consistent standards for which users are accountable. The lack of clearly written acceptable computer use policies increases the risk of inappropriate computer use (either intentional or accidental) which could potentially expose the Town to virus attacks or compromise computer systems.

Remote Access

Effective internal controls ensure that remote access – the ability to access the computer from the Internet or other external sources – is controlled and monitored so that only authorized individuals may enter or retrieve data. Remote access causes security risks for an otherwise secure system because off-site computers, even if physically secure, may be vulnerable to threats from other systems. Internal controls should include policies and procedures addressing how remote access is granted, who is given remote access, and security issues such as how remote access will be monitored. If remote access capability is granted to third parties, then policies, procedures and agreements need to be established for the access. Regular monitoring of such access will help to preserve the integrity of Town systems and data.

The Board has not established policies and procedures for remote access to ensure that computerized data was properly safeguarded. Town officials granted remote access to the Town’s software vendor. While Town staff does authorize access to the system, no one monitors remote users’ activity after they enter the system. As a result, there is a risk that computerized data could be compromised and unauthorized activity could go undetected.

Disaster Recovery Plan

A disaster recovery plan is intended to identify and describe how Town officials plan to deal with potential disasters. Such disasters may include any sudden, catastrophic event (e.g., fire, computer virus, power outage, or inadvertent employee action) that compromises the integrity of the IT system and data. An effective plan must include precautions to be taken to minimize the effects of a disaster and enable the Town to either maintain or quickly resume mission-critical functions. The plan should include a significant focus on disaster prevention. A key element of a disaster recovery plan is a system to backup (i.e., create a copy) important computer-processed data such as the accounting records. Good business practices require Town officials to run frequent backups to keep the backup data as current as possible, and to store backup data at an environmentally and physically secure off-site location for retrieval in case of an emergency.

The Board has not adopted a formal, written disaster recovery plan. Consequently, in the event of a disaster, Town personnel have no guidelines or plan to follow to help minimize or prevent the loss of equipment and data, or guidance on how to implement data recovery procedures and resume operations as efficiently as possible. In addition, Town officials have not adopted comprehensive data backup policies and procedures for the Town’s computer-processed data. Town officials do not backup the accounting records. Although the software vendor does occasionally create and retain a backup of

the Town's financial data when working on the Town's system, there is no consistency as to when the backups are performed. Without written procedures and routinely backing up data and testing of the backups, the Town is at risk of losing valuable information in the event that the system fails and backups cannot restore the necessary data.

Recommendations

6. The Board should develop and adopt policies and procedures that address acceptable use of Town computers, security planning, and the removal of sensitive data from computers scheduled for disposal.
7. The Board should develop and adopt policies and procedures governing outside users' remote access rights to the Town's computer system. Outside activity should be monitored.
8. The Board should develop and adopt a formal, written disaster recovery plan that addresses the range of potential threats to the Town's IT system and provides procedural guidance for employees to follow if the Town's computer operations are interrupted or its IT systems or data incur loss or damage. Town officials should distribute the plan to all responsible parties, periodically test the plan, and update the plan as needed.
9. Town officials should adopt comprehensive data backup policies and procedures and ensure that backup copies of data are routinely created and stored at a secure off-site location.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

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315-866-8101
ROSEMARIE CHIRICO

March 19, 2012

Office of the State Comptroller
Division of Local Government Services and Economic Development
State Office building Room #409
333 East Washington Street
Syracuse, New York 13202

Attention: Ms. Rebecca Wilcox, Chief Examiner

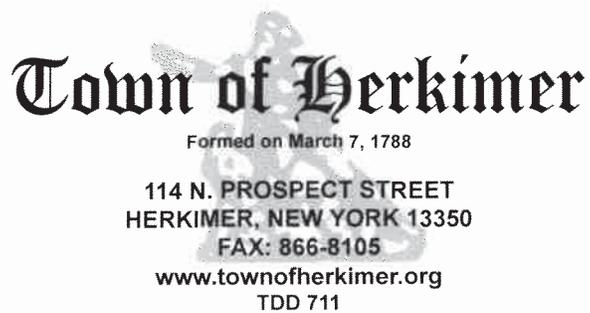
Dear Ms. Wilcox:

The following constitutes the Town of Herkimer's written response to the Report of Examination 2011M-288 prepared by the Office of the State Comptroller and concerning Town of Herkimer Financial Management and Internal Control over Selected Financial Operations covering January 1 2010 – April 30, 2011.

The Town Board of the Town of Herkimer appreciates the work and the assistance of the Office of the State Comptroller as the Office of the State Comptroller has provided valuable financial and technical advice and recommendations through the Report of Examination, the audit process, several meetings, telephone conversations and dialogue. The Town Board of the Town of Herkimer, as stated in interviews with the Office of the State Comptroller, views this audit process and subsequent report as extremely helpful and as positive guidance in making the Town of Herkimer more secure and have an even more sound financial foundation. The Town Board of the Town of Herkimer considers the Office of the State Comptroller a partner in creating sound policies, practices and procedures governing the financial well being of the Town of Herkimer and serving the tax payers of the Town of Herkimer. Also, the Town Board of the Town

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of Herkimer must commend the Office of the State Comptroller for the professionalism of the audit team as they kept the Supervisor and Board well informed of the process and issues.

Concerning the recommendation (1) regarding the Town Board's budgeting of its revenues and expenditures.

Regarding this recommendation the Town Board acknowledges the recommendation of the Office of the State Comptroller and understands that the Town for Herkimer has developed unreserved and un-appropriated fund balances. The Town Board does wish to state that most of the budgeted annual revenue is from sources dependent on the economy and the policies and circumstances of other forms of government. Furthermore the Town Board wishes to state that its conservative approach to forecasting revenue is due to the fact that the generation of said revenue is beyond the control of the Town Board. The Town Board also wishes to state that its conservative approach to expenses is also a result of not having control over the generation of revenue and the prudent management of operations by elected officials and department heads. Furthermore the Town Board acknowledges the Office of the State Comptroller's examination of the results of operations for the years 2008, 2009 and 2010 and wishes to state that in 2011 and 2012 there were no collective tax increases in the Town of Herkimer and that fund balances were used in 2011 and are planned to be used in 2012 as evidence of less conservative forecasts of revenue and expenses.

The Town Board is in full agreement with the Office of the State Controller recommendation. The Town Board will remain aware of the interest of the tax payer and to that end will continue less conservative approaches of forecasting its revenue and expenses as it has in 2011 and projected in 2012.

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Concerning the recommendation (2) regarding that the Town Board should develop a plan to reduce the unreserved and un-appropriated fund balance in its operating funds.

Regarding this recommendation the Town Board acknowledges the recommendation of the State Comptroller and understands that the Town for Herkimer has developed unreserved and un-appropriated fund balances. The Town Board is in full agreement with the recommendation of the Office of the State Comptroller and will further develop its plan addressing this matter using 2011 and 2012 as a spring board toward that end.

Concerning the recommendations 3, 4 & 5 that (3) the Town Board should review internal controls over the collection, accounting and recording of user charges and take a more active role in providing a detailed supervisory review of the related activities, and that (4) the Town Board should appoint someone independent of the cash collection process to ensure the receipts posted to the customer accounts are supported by an amount deposited into the Towns bank account, and that (5) the Town Board should ensure that a control account is properly maintained and reconciled with individual customer accounts and that any differences are investigated.

Regarding these recommendations the Town Board will point out that all account transactions reviewed the Office of the State Comptroller were traced and properly processed as reported by the Office of the State Comptroller in this examination. The Town Board agrees with these recommendations of the Office of the State Comptroller and will become more active in reviewing the activities and controls of the collection, accounting and recording of the user charges, appoint someone independent of the cash collection process to ensure the

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receipts are reconciled to deposits, and will establish a process to maintain and reconcile the control account with customer accounts. The Town Board must point out that in 2011 all water cash deposit accounts were segregated from the Town's operational check book making reconciliation between water collections and deposits much more efficient. Additionally, it must be pointed out that in 2012 the Town has acquired new municipal accounting software and as a result is migrating toward utility software that will enable the Town to maintain their own water receivable detail accounts. This will include billing and receipting for all water customers. Having this detail will enable those not engaged in the cash processes to properly reconcile the detail accounts to the control account in the General Ledger as well as the cash account.

Concerning the recommendations 6, 7, 8, & 9 that the Town Board should develop and adopt policies and procedures that addresses acceptable use of Town computers, security planning, the removal of sensitive data from computers scheduled for disposal, the governance of outside users remote access rights to the Towns computer system, the development of a disaster recovery plan and the development of a comprehensive data and system back up plan.

Regarding these recommendations the Town of Herkimer is in agreement with the Office of the State Comptroller and will work toward developing such plans, policies and procedures.

The Town Board of the Town of Herkimer wishes to express its appreciation of the work of the Office of the State Comptroller relative to this report of examination and feels the examination to be a fair statement of Comptrollers findings. Thank you.

Please contact me for any further information you may require concerning this matter.

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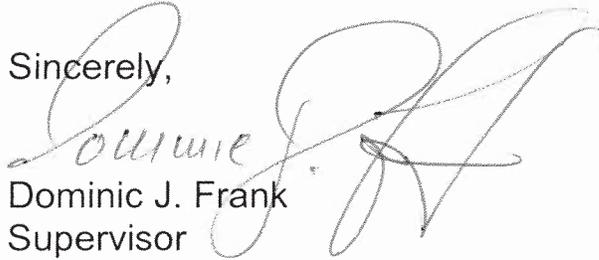
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Sincerely,



Dominic J. Frank
Supervisor
Town of Herkimer

Cc. Town Board

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

In order to accomplish the objective of this audit, we performed the following audit procedures:

We interviewed the Town Officials and reviewed financial records and documents as well as the budgets, water billings, receipts and deposits to determine whether:

- Actual revenues and expenditures were consistent with budgeted amounts
- Unreserved, unappropriated fund balance was excessive relative to the ensuing year's budget appropriations
- Water control accounts were maintained and reconciled with customer subsidiary accounts
- Water rents were deposited timely, intact and consistent with postings to the accounting records
- IT policies and procedures exist relative to acceptable use, off site back-up, computer security, disaster recovery, and sanitizing and disposal
- Controls over computer applications were in place.

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

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
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APPENDIX D
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