



Town of North Greenbush Records and Reports

Report of Examination

Period Covered:

January 1, 2009 — May 31, 2011

2011M-205



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 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 North Greenbush, 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of North Greenbush (Town) is located in Rensselaer County and has approximately 12,100 residents. The Town Board (Board) comprises the Town Supervisor (Supervisor) and four Council members. The Board is responsible for overseeing the Town's operations and for the general management and control of Town finances. The Supervisor is the chief fiscal officer and the chief executive of the Town. The Supervisor is generally responsible for the administration and supervision of the Town's day-to-day fiscal operations.

To assist the Supervisor, the Board has appointed a Town Comptroller (Comptroller) as the accounting officer and thereby transferred the accounting duties of the Supervisor to the Comptroller. The position of Comptroller has had significant turnover. Since the fiscal year 2005, the Town has employed five different Comptrollers. The current Comptroller was appointed in February 2011 and replaced the former Comptroller who served from March 2008 through December 2010.

The Town provides a range of services to its residents including highway maintenance, snow removal, police, water and sewer. These services are financed mainly by real property taxes, water rates, sewer rents, and State aid. The Town's 2009 annual update document (AUD), filed with the Office of the State Comptroller, reported operating expenditures totaling over \$8.8 million, including approximately \$3.98 million for the general fund, \$1.78 million for the highway fund, \$2.5 million for the water fund, and \$374,000 for sewer fund.

Scope and Objective

The objective of our audit was to review the Town's accounting records and reports for the period January 1, 2009 to May 31, 2011. The condition of the Town's financial records was not sufficient to determine the Town's true financial condition. Therefore, we focused our audit work on the Board's oversight of the former Comptroller, selected accounting transactions, the condition of the Town's accounting records, and the level of financial reporting to the Board. We also reviewed the Town's records back to fiscal year 2008 to determine if transfers made in fiscal years 2008, 2009 and 2010 were approved by the Board. Our audit addressed the following related question:

- Did the former Comptroller maintain and prepare financial records and reports that provide adequate information to monitor and evaluate financial condition?

Audit Results

Due to the poor condition of the Town's financial records and reports, we were unable to determine the true financial condition of the Town. Based on the financial information provided in the AUDs filed by the Town for the years 2006 to 2009, it appears that the Town has significant fiscal stress issues that need to be addressed.

The Board and Supervisor did not provide adequate oversight of the former Comptroller's activities. As a result, the former Comptroller made interfund transfers of \$678,712 that were not authorized by the Board and over \$920,000 of loans to other funds that were not repaid in a timely manner. The former Comptroller did not maintain complete, accurate and up-to-date accounting records, perform timely monthly bank-to-book reconciliations, or provide complete and accurate monthly financial reports to the Board.

In addition, as of November 16, 2011, the current Comptroller had not filed the AUD summarizing the Town's financial information for the 2010 fiscal year. To assist the Comptroller with identifying and correcting errors in the accounting records and filing the 2010 AUD, the Town has contracted with a certified public accounting firm. Without complete, accurate and timely financial information, the Board is precluded from effectively monitoring and managing Town operations and evaluating the Town's financial condition.

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. Except as specified in Appendix A, Town officials generally agreed with our recommendations and indicated they planned to take 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 Town Clerk's office.

Introduction

Background

The Town of North Greenbush (Town) is located in Rensselaer County and has approximately 12,100 residents. The Town Board (Board) comprises the Town Supervisor (Supervisor) and four Council members. The Board is responsible for overseeing the Town's operations and for the general management and control of Town finances. The Supervisor is the chief fiscal officer and the chief executive of the Town. The Supervisor is generally responsible for the administration and supervision of day-to-day Town fiscal operations.

To assist the Supervisor, the Board has appointed a Town Comptroller (Comptroller) as the accounting officer and thereby transferred the accounting duties of the Supervisor to the Comptroller. The position of Town Comptroller has had significant turnover. Since the fiscal year 2005, the Town has employed five different Comptrollers. The current Comptroller was appointed in February 2011 and replaced the former Comptroller who served from March 2008 through December 2010.

The Town provides a range of services to its residents including highway maintenance, snow removal, police, water and sewer. These services are financed mainly by real property taxes, water rates, sewer rents, and State aid. The Town's 2009 annual update document (AUD), filed with the Office of the State Comptroller, reported operating expenditures totaling over \$8.8 million including approximately \$3.98 million for the general fund, \$1.78 million for the highway fund, \$2.5 million for the water fund, and \$374,000 for sewer fund.

Based on information from the AUDs filed by the Town for the years 2005 to 2009, the Town has seen its general fund balance decline over the past five years from \$158,000 to a deficit of \$114,000 on December 31, 2009. During this same period, general fund taxes have increased almost 30 percent, while fund balance decreased 170 percent. Further, the general fund is being subsidized through interfund transfers and loans from the water and sewer funds.

Objective

The objective of our audit was to review the Town's records and reports. Our audit addressed the following related question:

- Did the former Comptroller maintain and prepare financial records and reports that provide adequate information to

**Scope and
Methodology**

monitor and evaluate financial condition?

We examined the Town's accounting records and reports maintained by the Comptroller for the period January 1, 2009 to May 31, 2011. The condition of the Town's records was not sufficient to determine the Town's true financial condition. Therefore, we focused our audit work on the Board's oversight of the former Comptroller, the condition of the Town's accounting records, selected accounting transactions and the level of reporting to the Board. We also reviewed Town records back to fiscal year 2008 to determine if transfers made in fiscal years 2008, 2009 and 2010 were approved by the Board.

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. Except as specified in Appendix A, Town officials generally agreed with our recommendations and indicated they planned to take 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 Town Clerk's office.

Inadequate Financial Records and Reports

The Board is responsible for the Town'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 Town's financial condition and activities. The lack of adequate and timely accounting records makes it difficult for the Supervisor and Board to evaluate the Town's financial activities and inaccurate records can obscure the Town's true financial condition.

Although the Supervisor has primary responsibility for managing the Town's day-to-day activities, the entire Board shares responsibility for fiscal oversight and establishing a system of financial reporting. To facilitate this, the Town's financial data must be complete, accurate and up-to-date. Also, the Board and the Supervisor, as chief fiscal officer, must provide sufficient oversight, guidance and training to the Comptroller to ensure that the Town's records are maintained timely and that they are reliable.

The Town Comptroller, 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 AUD with the Office of the State Comptroller (OSC). The Board must approve budget amendments and interfund transfers before the Comptroller can complete these transactions. In addition, the Comptroller must perform monthly bank-to-book reconciliations to ensure the timely identification and correction of differences between the Town's recorded cash balances and its bank cash balances.

Due to the poor condition of the Town's financial records and reports, we were unable to determine the true financial condition of the Town. Based on the financial information provided in the AUDs filed by the Town for the years 2006 to 2009, it appears that the Town has significant fiscal stress issues that need to be addressed.

The Board and Supervisor did not provide adequate oversight of the former Comptroller's activities. As a result, the former Comptroller made interfund transfers of \$678,712 that were not authorized by the Board and over \$920,000 of loans to other funds that were not repaid in a timely manner. The former Comptroller did not maintain complete, accurate and up-to-date accounting records, perform timely monthly bank-to-book reconciliations, or provide complete and accurate monthly financial reports to the Board.

In addition, as of November 16, 2011, the current Comptroller had not filed the AUD summarizing the Town’s financial information for the 2010 fiscal year. To assist the Comptroller with identifying and correcting errors in the accounting records and filing the 2010 AUD, the Town has contracted with a certified public accounting (CPA) firm. Without complete, accurate and timely financial information, the Board is precluded from effectively monitoring and managing Town operations and evaluating the Town’s financial condition.

Board Oversight

The Supervisor and the Board are responsible for monitoring and evaluating the Town’s financial condition and financial activities including the approval of interfund transfers and loans, as necessary. We found that the Supervisor and Board did not provide sufficient oversight of the Town’s finances. The Supervisor did not provide adequate oversight of the Comptroller’s activities. As a result, interfund transfers were made without Board approval and interfund loans were not repaid in a timely manner. Furthermore, the transfers made by the former Comptroller have potentially overstated the general fund’s financial condition.

Interfund Transfers — The Board may approve cost allocations to reimburse the general fund for services it provided and/or expenses incurred on behalf of other funds. To facilitate this, the Board typically approves transfers through the annual budget. We compared the transfers made by the former Comptroller to the amounts approved by the Board. We found that from 2008 to 2010 transfers made from the water and sewer funds to the general fund were \$678,712 in excess of the amount approved by the Board.

	2008	2009	2010	Total
Actual Transfers	\$500,618	\$340,784	\$92,000	\$933,402
Approved Transfers	\$53,333	\$117,000	\$84,357	\$254,690
Difference	\$447,285	\$223,784	\$7,643	\$678,712

We found no Board approval for these additional transfers. We discussed these transfers with certain Board members,¹ who indicated they were aware transfers had been made, but did not realize the extent of the actual amounts. The transfers have resulted in the general fund balance increasing by \$678,712 over a three-year period from January 1, 2008 through December 31, 2010. Because these transfers

¹ Because these transfers were made prior to the election of the current Supervisor, we discussed allocation with the two Board members who were in office at the time of these transfers.

were not authorized, the actual financial condition of the general fund is overstated and, conversely, the financial condition of the water and sewer funds is understated by an equal amount. For example, if the December, 31 2009² reported general fund balance included only Board-approved transfers, the fund balance would decrease from a deficit of \$114,111³ to a deficit of \$785,180.

Interfund Loans — The Board can authorize interfund borrowings between funds and has used this as a method to meet short-term cash flow needs. These loans must be paid back by the end of the year and with interest if the loan is between funds with different tax bases. We found that interfund loans were not paid back timely. Specifically, the general fund has borrowed from other funds and these loans remain unpaid with no apparent plan to repay them. During 2009 and 2010, the Town reported \$921,808⁴ in loans between funds, of which the general fund owed \$614,543 to other funds.

From a review of the budget and discussion with the current Comptroller, detailed documentation on these loans was unavailable and we saw no indication of a plan to repay these loans or to offset these loans against the cost allocations. The lack of a plan to pay these interfund loans is indicative of the Board addressing the financial stress and lack of cash flow in the general fund with short-term interfund borrowings to meet the general fund's cash flow needs. Based on information from the Town's AUD, as of December 31, 2009, the general fund owed the water fund \$614,543.

Given the Town's potential fiscal stress issues, it is critical for the Board to take a more active role in ensuring the Town's accounting records and reports are complete, accurate and up-to-date. With this financial information, the Board will be able to evaluate the Town's true financial condition, implement appropriate fiscal plans for improvement and monitor the results these fiscal plans.

Accounting Records

The Comptroller, as accounting officer, is responsible for maintaining complete, accurate and up-to-date accounting records. Accordingly, general ledgers, cash receipt and disbursement journals and subsidiary revenue and appropriation ledgers must be maintained in a complete, accurate, and timely manner. It also is important that the Comptroller perform monthly bank-to-book reconciliations of cash. Any differences must be promptly documented and resolved

² Because the 2010 AUD has not been filed, the 2010 general fund balance is unavailable.

³ This amount, from the 2009 AUD, has not been audited.

⁴ These loans are primarily due the water fund, which has over \$873,000 in loans to other funds.

to ensure that financial activities are accounted for in a proper and timely manner. As chief fiscal officer, the Supervisor must provide sufficient oversight to ensure that suitable records are maintained to record financial information accurately and on a timely basis.

The Board and Supervisor did not provide sufficient oversight to ensure that the Comptroller performed his duties adequately. As a result, we found that the former Comptroller did not maintain complete, accurate, and up-to-date accounting records. For example, the former Comptroller did not complete timely bank reconciliations, maintain accurate general ledger account balances, post budget amendments timely or close the accounting records at the end of the 2009 fiscal year in a timely manner.

Bank Reconciliations — Bank reconciliations were not completed timely and unresolved monthly variances increased significantly during our audit period. According to the Supervisor, the former Comptroller would prepare all the bank reconciliations near the end of each fiscal year, instead of monthly when the bank statements were received. The former Comptroller was not reappointed at the January 4, 2011 organizational meeting. At that time, he had only completed the bank reconciliations through July 2010. When the current Comptroller was appointed in February 2011, he attempted to prepare all of the outstanding bank reconciliations. However, as of July 2011, he was still unable to identify all the prior errors and obtain accurate cash balances that reconciled to the bank statements.

Our review of the reconciliations performed during 2009 found a consistent unresolved monthly variance totaling approximately \$1,300. However, in December 2009, the unresolved variance increased to \$76,777. During fiscal year 2010, the unresolved variance continued to increase from \$213,410 as of January 31, 2010 to \$508,111⁵ as of December 31, 2010. While the current Comptroller was able to explain that \$747,704⁶ in net differences was due to unrecorded bond renewals, bond payments and other electronic payments, he has not been able to resolve an approximately \$246,000⁷ bank balance that exceeds the balance in the accounting records as of December 31, 2010.

According to the current Comptroller, the prior accounting records contain limited supporting documentation making it difficult to reconstruct accurate records. We also scanned the bank reconciliations

⁵ The \$508,111 is an unresolved book surplus over the bank balance.

⁶ These transactions, as of July 28, 2011, have still not been recorded to the 2010 accounting records. According to the Comptroller, he wants to be able to account for all the differences before he makes the related journal entries.

⁷ Calculated as \$508,111 – \$754,704 = (\$246,593)

through May 2011 and found that variances totaling \$447,000 continued. According to the Supervisor, she does not review the bank reconciliations. Because the reconciliations detail the known and unknown variances between the book and bank balances, it is imperative that the Supervisor monitor the variances and ensure timely corrective action is taken. Further, without timely and accurate bank reconciliations, Town officials lack reasonable assurance that the accounting records are correct and that Town funds are properly accounted for.

To address these accounting issues, the Town hired a CPA firm to assist the Comptroller. As of November 16, 2011 the current Comptroller indicated the CPA firm had made significant progress resolving errors with the accounting records and would soon have final reconciled balances available for the Town. This will allow the Comptroller to record the necessary correcting entries to finalize the 2010 financial statements.

Inaccurate Account Balances — As of June 30, 2011 the Town had not finalized its 2010 accounting records.⁸ We examined the 2010 general ledger trial balance as of May 9, 2011⁹ and found the balances for cash and accounts payable were posted improperly. For example, when real property tax revenue was received in the beginning of 2010, the Comptroller's office recorded \$5.9 million of revenue that was collected for the general fund, highway fund and four special districts in the general fund's cash account, even though only \$1.3 million of these moneys had been budgeted for general fund operations. The remaining \$4.6 million should have been recorded as revenue and available cash as per the budget for the highway fund and four special districts. As a result, the general fund's cash account was overstated by approximately \$4.6 million, while the other Town funds' cash balances were understated. Furthermore, the highway fund had a negative cash balance totaling \$1.1 million. If real property tax collections were properly recorded, the cash balance would have been approximately \$278,000. Furthermore, rather than recording a liability, due to other funds, in the general fund for moneys owed to the highway fund and four special districts, the liability was recorded as an accounts payable. This caused the general fund's accounts payable balance to be overstated \$4.6 million. These incorrect balances remained throughout 2010.

⁸ According to the Comptroller, as of July 28, 2011, the Town is still working with its CPA in the preparation of the 2010 AUD.

⁹ On May 9, 2011 we obtained an electronic copy of the 2010 trial balance for our audit. Consequently, the result of our audit work only reflects the accounting records as of this date, unless otherwise specified.

The Town also commingled all the operating funds' cash in the same checking account, allowing funds that showed negative cash balances in the accounting records to continue making payments. Due to the improper posting and commingling of cash and the lack of accurate financial reports, it is difficult for the Supervisor and Board to manage each fund's finances or to determine if sufficient cash is available to pay bills.

We also reviewed the entries recorded in the accounts payable account for the 2009 and 2010 fiscal years. We did not identify any significant concerns with the entries during 2009. However, we found that in January and February 2011,¹⁰ 111 claims totaling over \$30,000 were for 2010 expenditures and charged to 2011 fund appropriations. As a result, the ending fund balance for 2010 was overstated. In addition, we compared the expenditures recorded during 2009 and 2010 for bond principal payments and found that they do not reconcile with amounts recorded on the Town's statement of indebtedness. Bond payments recorded in the accounting records were \$164,224 greater than what was reported on the AUD in 2009 and \$146,000 greater than what was reported in 2010. Town officials cannot adequately monitor the Town's finances when the amounts in the accounting records are not accurate.

Budget Amendments — The Comptroller is responsible for monitoring appropriations and notifying the Board of any necessary budgetary adjustments for their consideration and approval. In the absence of a Board-approved budget amendment, the Comptroller does not have the authority to over expend an appropriation account.

We reviewed all Board-approved budget amendments during fiscal years 2009 and 2010. We found that the former Comptroller did not always post the amendments to the accounting records in a timely manner. We also found that appropriations were over expended without an amendment proposed to the Board. During fiscal year 2009, the Board approved \$89,216 in transfers for the highway fund budget. However, the former Comptroller did not record \$56,466 of these transfers to the accounting records. As a result, six accounts were overspent by a total of \$64,530 at year end even though the Board had taken the appropriate action to address over expending specific line items. During fiscal year 2010, the Board approved \$181,267 in budget transfers. However, the former Comptroller did not record \$155,158 of these transfers to the accounting records. Although the total budget was not over expended, 22 individual account appropriations were over expended by a total of \$364,248.

¹⁰ To evaluate if any claims for 2010 expenditures were charged to the 2011 appropriation, we reviewed the claims details for all claims paid per the January and February 2011 abstract and recorded to the 2011 general ledger.

Furthermore, the operating statement generated from the computerized accounting system did not include separate lines for original and modified budget amounts, so it is difficult to determine if the budget was modified in a timely manner. Consequently, not only did the former Comptroller over expend appropriations during 2009 and 2010, the budget-to-actual information provided to the Supervisor and Board during this period was inaccurate because the amendments approved by the Board were not always included.

Annual Update Document — The AUD is the official report of the Town’s financial activity and as such should agree with the Town’s financial records. We compared general ledger account balances for each fund as of December 31, 2009 to the amounts reported in the 2009 AUD and found 24 of the 36 accounts¹¹ were not supported by the accounting records. Specifically, 12 accounts reported balances that exceeded the accounting records by a total of \$1.9 million and 12 accounts reported balances that were lower by \$1.5 million. For example, the reported cash balance exceeded the recorded cash balance by \$175,000 (148 percent) for the water fund.

We were unable to verify the reasons for the differences because the 2009 accounting records were not closed until March 25, 2011.¹² In addition, the former Comptroller did not leave any information explaining the reason and purpose for any adjustments made to the accounting records prior to or after the AUD filing. Because the accounting records were not closed prior to the 2009 AUD being filed, additional transactions could have been posted to the 2009 records after it was filed, resulting in the account balances no longer agreeing with the 2009 filed AUD. However, without supporting documentation, Town officials cannot explain the reasons for the differences.

Financial Reports

Adequate accounting records and effective procedures are necessary to properly account for and report the Town’s financial activities. In order to properly prepare financial reports, the financial records must be accurate and maintained in a timely manner. The Comptroller is required to file the Town’s AUD with OSC within 90 days following the close of the fiscal year with the option of an additional 30-day extension, if requested. In addition, the Comptroller must provide periodic financial reports to the Board throughout the year including

¹¹ We judgmentally selected three to five accounts from each of the Town’s eight funds, including cash, receivables and major sources of revenue. We focused on account balances with the highest dollar amounts.

¹² By not closing the accounting records at the end of an accounting period, the records are susceptible to erroneous changes. The closing of the record freezes the data for historical and comparative purpose and prevents current year transactions from being erroneously recorded in the prior year.

budget-to-actual information, cash balances by fund and cash flow statements. Further, as accounts are expended, it is important for the Comptroller to advise the Board of budgetary accounts that may not be sufficient and propose budgetary adjustments as necessary.

Annual AUD Filing — The AUD is an important document that allows management and the general public to assess the Town's financial operations and financial condition. The current Comptroller has not filed the Town's annual financial report as required with OSC. The 2009 report was submitted in November 2010, approximately seven months past deadline. As of November 16, 2011, the 2010 AUD had not been filed, nearly seven months past the deadline with a filing extension. The Comptroller stated the primary reason for not filing was due to the poor condition of the records maintained by the former Comptroller. The Town has experienced several changes in the position of Comptroller, which has impacted in the timeliness of filing. As stated previously, the Town has engaged a CPA firm to assist the current Comptroller with filing the 2010 AUD.

Interim Reporting — The Board did not establish fiscal policies on the frequency, content or timeliness of interim reporting. We found that the former Comptroller did not provide the Board and Supervisor with sufficient periodic financial reports. While the Comptroller sporadically provided budget-to-actual reports during 2010, the Board did not receive information on each fund's cash position, bank balances or cash flow statements. Had they received this additional reporting, they would have had timely notifications of unreconciled balances between the bank and accounting records balances and the overall condition of the accounting records.¹³

In addition, the transparency of Town operations is compromised because the public does not have the opportunity to review the Town's financial operations and assess its financial condition. The combination of errors in the accounting records and the lack of interim reporting resulted in the Board being unable to evaluate the true financial condition of the Town as of the end of 2010 and take corrective action as necessary.

Recommendations

1. The Board should implement fiscal policies to ensure that the Town's accounting records, as maintained by the Comptroller, are complete, accurate and up-to-date.
2. Town officials should review the interfund transfers to the general fund and determine if they were authorized and appropriate.

¹³ The unreconciled bank balances would have been an indicator to the Board that there were problems with the accounting records.

3. Town officials should address the outstanding interfund loans and develop a plan for repayment of these loans.
4. The Comptroller should file the Town's AUD with the State Comptroller and Clerk within 90 days after the close of the fiscal year, or 120 days after the close the fiscal year if an extension is granted.
5. The Board should identify the financial reports that the Comptroller should provide to them on a regular basis to help manage Town finances and evaluate financial condition. Such reports should include:
 - Budget-to-actual reports for all Town funds, including the original and modified budget
 - Monthly reports showing all moneys received and disbursed, balance sheet accounts and cash balances for all Town funds
 - Bank reconciliations
 - Proposed budgetary adjustments.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



Town of North Greenbush
Alson J. Spain, Town Supervisor
2 Douglas Street
Wynantskill, New York 12198
Tel: (518) 283-3525
Fax: (518) 283-5010

January 11, 2012

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Dear [REDACTED]:

This will respond to the Office of State Comptroller (OSC) Report of Examination issued for the Town of North Greenbush on "Records and Reports" which was transmitted to our office on December 13, 2011.

As you know, during the exit conference held on December 19, 2011, the Town provided you with several comments pertinent to the contents of the report and the audit process. What follows is a synopsis of those comments as they relate to the recommendations issued in your report:

1. The Town is very much cognizant of the past status of our fiscal condition and has and will continue to take pro-active steps to attain accounting records that are complete, accurate and up to date. The Town has retained the service of a CPA firm in that regard and has made significant progress. We are however disappointed that your Office was unable to assist the Town with determining a true fiscal condition due to inadequate recordkeeping as was originally intended.

2. The Town hired the services of a CPA firm to review the interfund transfers made for the years cited in your report and concluded that those transfers were appropriate but did not issue an approving resolution at that time. That CPA firm issued a report of findings which was shared with the on-site audit team and carefully reviewed with them on several occasions. We explained to them that most of those transfers have become part of the subsequent budget process. Going forward the Town agrees that interfund transfers will be reviewed and authorized by the Town Board.

3. Once the Town has completed its review of "due to" and "due from" accounting it will proceed accordingly for this recommendation.

4. We are very much cognizant of the OSC reporting requirements for the AUD and regret that we were unable to meet the deadline. We did appraise your Office several times of the reason we were not able to file the AUD on time. Given the status of fiscal records we have maintained that in order to file an accurate AUD a thorough review of accounting records is required, which is precisely why we retained the services of a CPA firm. We believe that to be the most prudent course of action. That review of accounting records is now almost complete and we have also prepared a draft AUD report that will be ready for filing shortly.

5. We concur with the recommendation to provide periodic financial reports. The Town has made progress in this regard over the last 8 months.

During our exit conference we advised you that during the time your auditors were on-site, the Town Board and current Comptroller discovered many shortcomings in the fiscal, accounting process and recording procedures. We also made necessary corrections to those shortcomings and so notified your auditors. We are disappointed that the report does not make any mention of the corrections that were made by the Town.

See
Note 1
Page 19

See
Note 2
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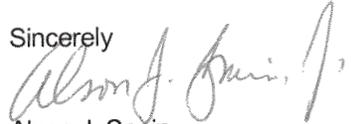
January 12, 2012

Finally, once the final report (with the change you advised you would make to the preliminary report during our exit conference) is transmitted to the Town we will prepare our 90-day response providing more detail on the corrective action plan and your findings.

See
Note 3
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The Town Board has and will continue to work diligently with the Town Comptroller to improve the status of the fiscal operation and reporting requirement.

Sincerely



Alson J. Spain
Town Supervisor

Cf: Town Board
Town Comptroller

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

While the Town did engage a CPA firm to assist them in preparing an administrative cost allocation, the resulting report that was issued to the Town indicated that the CPA was not issuing an opinion on the appropriateness of the interfund transfers. We discussed this with Town officials at our exit discussion.

Note 2

As of the date of our exit discussion on December 19, 2011, the Town still had not closed the books for the fiscal year ending December 31, 2010 or filed the annual update document. As a result, corrections made to the accounting records still cannot be verified.

Note 3

The change was made to the report.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the Town's related records and reports. To accomplish this, we performed an initial assessment of the condition of the Town 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 Town officials, performed limited tests of transactions, and reviewed pertinent documents such as Town policies and procedures, Board 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 records and reports maintained by the Comptroller.

During this audit, we examined the Town's records and reports for the period January 1, 2009 to May 31, 2011. We expanded our verification of allocations back to January 1, 2008.

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

- We interviewed Town officials responsible for financial oversight and maintaining accounting records and reviewed Board minutes to obtain an understanding of the Town's policies and procedures.
- We reviewed the Comptroller's management of the Town's financial information and, on a test basis, reviewed the available accounting records including the general ledger, journal entries, bank reconciliations and budget reports.
- We assessed the financial information provided to the Board and the Board's procedures to provide oversight of Town finances.
- We reviewed the Comptroller's monthly reports for January 2009 through December 2010 to determine if they were accurate and complete.
- We interviewed the Comptroller and reviewed the AUDs to determine if the annual financial reports were accurate, complete and filed on a timely basis.

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 D

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