



# Town of Fremont

## Operating Budget and Cash Disbursements

### Report of Examination

Period Covered:

January 1, 2011 — November 15, 2012

2013M-85



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## Division of Local Government and School Accountability

July 2013

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 Fremont, entitled Operating Budget and Cash Disbursements. 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

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# EXECUTIVE SUMMARY

The Town of Fremont (Town) is located in Sullivan County and has approximately 1,400 residents. The Town provides water, highway, and general government services to its residents. These services are financed mainly by real property taxes, State aid, and user fees.

The Town Board (Board) is comprised of four elected members and an elected Supervisor. The Board is responsible for the general management of and control over Town purchases and for establishing effective internal controls over disbursements. The Supervisor is the Town's chief fiscal officer and is responsible for collecting, receiving, and having custody of all Town moneys. The Town employs a bookkeeper who is responsible for receiving bills, preparing vouchers, printing checks, reconciling bank accounts, and maintaining financial records. The Board and the Supervisor are responsible for preparing, developing, and monitoring the annual budget.

The Town reported expenditures of \$244,200 for the general fund, \$850,027 for the highway fund, and \$10,624 for the water fund for fiscal year 2012.

### **Scope and Objective**

The objective of our audit was to review the Town's operating budgets and disbursements for the period January 1, 2011, to November 15, 2012. We also evaluated the budget processes through the end of our fieldwork, February 15, 2013. This evaluation included a review of the 2013 budget adoption process. In addition, we reviewed operating results back to 1998. Our audit addressed the following related questions:

- Did Town officials properly develop, monitor, and control operating budgets?
- Did the Board ensure that all disbursements were for proper Town purposes?

### **Audit Results**

The Board did not develop accurate budget estimates for the general fund and did not properly monitor and control actual activity against those estimates. The Board has over-estimated revenues for the years 2008 through 2012 by an aggregate of more than \$126,000, which is more than a 12 percent average shortfall. Further, the Board's failure to monitor the budget throughout the year and identify the revenue shortfalls eliminated any opportunity to find alternative revenues or reduce planned expenditures to offset the shortfalls. As a result, at the end of 2012, the Town had a fund balance deficit of \$3,586.

Town officials cannot ensure that cash disbursements are only made for proper Town purposes. While the Board reviewed all claims that were presented to it for audit, it approved claims totaling \$6,183 that did not describe the goods purchased clearly or at all. Further, because Town officials have not established controls over fuel inventories, no one can be sure that fuel purchased by the Town is used only for Town vehicles and equipment. Moreover, the bookkeeper was assigned nearly all of the financial duties with no oversight of those duties. Additionally, the Board has not conducted an annual audit of the Town's financial records since at least 2004. Because of these weaknesses, the risk is increased that errors or irregularities could occur and not be detected or corrected.

### **Comments of Local Officials**

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix C, have been considered in preparing this report. Except as specified in Appendix C, Town officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix D includes our comments on issues raised in the Town's response.

# Introduction

## Background

The Town of Fremont (Town) is located in Sullivan County and has approximately 1,400 residents. The Town provides water, highway and general government services to its residents. These services are financed mainly by real property taxes, State aid, and user fees.

The Town Board (Board) is comprised of four elected members and an elected Supervisor. The Board is responsible for the general management and control over Town purchases and for establishing effective internal controls over disbursements. The Supervisor is the Town's chief fiscal officer and is responsible for collecting, receiving, and having custody of all Town moneys. The Town employs a bookkeeper who is responsible for receiving bills, preparing vouchers, printing checks, reconciling bank accounts, and maintaining financial records. The Board and the Supervisor are responsible for preparing, developing, and monitoring the annual budget.

The Town reported expenditures of \$244,200 for the general fund, \$850,027 for the highway fund, and \$10,624 for the water fund for fiscal year 2012.

## Objective

The objective of our audit was to review the Town's operating budgets and disbursements for the period January 1, 2011, to November 15, 2012. Our audit addressed the following related questions:

- Did Town officials properly develop, monitor, and control operating budgets?
- Did the Board ensure that all disbursements were for proper Town purposes?

## Scope and Methodology

During this audit, we examined operating budgets and disbursement transactions for the period January 1, 2011, to November 15, 2012. We also evaluated the budget processes through the end of our fieldwork, February 15, 2013. This evaluation included a review of the 2013 budget adoption process. In addition, we reviewed operating results back to 2008.

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 E 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 C, have been considered in preparing this report. Except as specified in Appendix C, Town officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix D includes our comments on issues raised in the Town's response.

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

## Operating Budgets

The Board and Supervisor are responsible for preparing, developing, and monitoring the annual budget. Budget estimates should be derived from four general steps: determine needed Town expenditures (appropriations); identify non-tax revenues the Town can realistically expect to receive to finance those appropriations; determine the amount of unexpended surplus funds<sup>1</sup> that may be available for use; and then assess the real property taxes necessary to finance the difference. Department heads are responsible for providing the Supervisor, as the Town budget officer, with estimates for the upcoming fiscal year for the operation of their departments. The annual budget should include these needs, along with considering past actual activity, based on the most current and accurate information available. Furthermore, after the Board adopts the budget, it should monitor the actual financial activity, ensure that the budget estimates are not exceeded, or amend budget estimates before they are exceeded. Finally, it is important for the Board to develop and follow a multiyear financial plan to address the Town's ongoing operational and capital needs.

The Board did not develop accurate budget estimates for the general fund and did not properly monitor and control actual activity against those estimates. The Board over-estimated revenues for the years 2008 through 2012 by an aggregate of more than \$126,000, which is more than a 12 percent average shortfall. For example, the Board over-estimated revenues for State aid and mortgage tax during three of the five years reviewed (from fiscal years 2009 through 2011). Specifically, it estimated \$62,000 for 2009 revenues but only received \$34,752, a shortfall of \$27,248. In 2010, the Board estimated \$48,000 for these revenues but only received \$24,549, a difference of \$23,451. In 2011, the Board estimated \$48,000 but only received \$24,716, a difference of \$23,284. Had the Board reviewed available information, such as State aid estimates, when adopting the budgets, it could have avoided these shortfalls. Further, the Board reduced the tax levy in 2011 and 2012 but did not find other revenue sources to offset these decreases. As such, the operating deficits were even greater in these years.

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<sup>1</sup> The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted, and unrestricted (comprising committed, assigned, and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011, and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term "unexpended surplus funds" to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54), and is now classified as unrestricted, less any amounts appropriated for the ensuing year's budget (after Statement 54).

The Board offset some of the revenue shortfalls because it also spent less than it had planned by approximately \$63,000 during those same years. The Board had planned an operating deficit of \$48,000 for each of those years and planned to appropriate \$48,000 in available unexpended surplus fund balance to finance the gap each year. However, because of the Board's poor budget estimates, operating deficits averaged about \$60,600, or an average of \$12,000 more than projected each year. Further, the Board's failure to monitor the budget throughout the year and identify the revenue shortfalls eliminated any opportunity to find alternative revenues or reduce planned expenditures to offset the shortfalls. As a result, at the end of 2012, the Town had a fund balance deficit of \$3,586. Table 1 shows the Town's operating results for fiscal years 2008 through 2012.

<b>Table 1: Results of Operations</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Beginning Fund Balance	\$299,351	\$258,354	\$200,039	\$155,547	\$82,679
Revenues	\$185,517	\$179,391	\$193,685	\$174,436	\$160,179
Expenditures	\$226,514	\$237,706	\$238,177	\$247,304	\$246,444
<b>Operating Surplus/(Deficit)</b>	<b>(\$40,997)</b>	<b>(\$58,315)</b>	<b>(\$44,492)</b>	<b>(\$72,868)</b>	<b>(\$86,265)</b>
Year-End Fund Balance	\$258,354	\$200,039	\$155,547	\$82,679	(\$3,586)
Less: Appropriated Fund Balance	\$48,000	\$48,000	\$48,000	\$48,000	\$0
<b>Year-End Unexpended Surplus Fund Balance</b>	<b>\$210,354</b>	<b>\$152,039</b>	<b>\$107,547</b>	<b>\$34,679</b>	<b>(\$3,586)</b>

Board members could not tell us what the basis was for any of the budget estimates they adopted in prior years. The former Supervisor presented the budget estimates each year and Board members simply accepted them without fully understanding them. Moreover, both the former and current Supervisor did not provide the Board with any reports comparing the actual financial results to the adopted budgets for the general fund.

According to the Town's records, the Town ended fiscal year 2012 with a deficit of \$3,586 in the general fund. In June 2012, the current Supervisor recognized that the repeated use of the Town's surplus, combined with the revenue shortfalls, had reduced the general fund's fund balance. As a result, he developed a budget for 2013 with revenue estimates that were based on the prior year's actual revenue earned and real property taxes to fully finance the total planned expenditures. Consequently, the real property tax levy had to be increased for the 2013 fiscal year, with a real property tax rate increase of 2 percent.

Using revenue estimates based on prior year actual revenue is a significant improvement in the Town's budget process. A further

improvement would be to develop a multiyear financial plan that would help set the financial path for the Town over the next few years.

We also reviewed the highway fund and determined that the actual results were reasonably aligned with the adopted budgets between 2008 and 2012. The highway fund's unexpended surplus fund balance was \$67,631 at the end of 2012. As such, the highway fund is in a better financial position than the general fund.

## **Recommendations**

1. The Supervisor and Board should continue to develop budget estimates based on known and actual needs and resources.
2. The Board should monitor the actual revenues received against the revenue estimates in the adopted budgets and make amendments, as necessary, to the budget when revenue shortfalls become known. Such amendments could include reducing planned expenditures when alternative revenues are not available to replace the identified shortfalls.
3. The Board should monitor actual expenditures, compare them to their respective estimates in the adopted budgets, and make adjustments as necessary.
4. The Board should develop a multiyear financial plan.

## Cash Disbursements

While the Board has overall authority and responsibility for Town purchases, Town department heads, such as the Supervisor and Highway Superintendent, are responsible for authorizing purchases and ensuring that they are used only for proper Town purposes. The Board is responsible for auditing all claims prior to their payment; the Board's audit should ensure that each claim represents a proper Town purpose. The Supervisor, as chief fiscal officer, should only make payments for the claims that the Board has audited and approved. If the Town employs a bookkeeper to perform financial duties, the Supervisor should provide adequate oversight of the bookkeeper's duties. Finally, the Board is required to audit the records of all Town officers that receive money on behalf of the Town.

Town officials cannot ensure that cash disbursements are only made for proper Town purposes. While the Board reviewed all claims that were presented to it for audit, it approved claims totaling \$6,183 that did not describe the goods purchased clearly or at all. Further, because Town officials have not established controls over fuel inventories, no one can be sure that fuel purchased by the Town is used only for Town vehicles and equipment. Moreover, the bookkeeper was assigned nearly all of the financial duties with no oversight of those duties. Additionally, the Board has not conducted an annual audit of the Town's financial records since at least 2004. Because of these weaknesses, the risk is increased that errors or irregularities could occur and not be detected or corrected.

### Claims Processing

Town Law requires the Board to audit and approve all claims against the Town prior to directing the Supervisor to pay them. Each claim should include an itemized original receipt or invoice and documentation to allow for a proper audit.

We tested 253<sup>2</sup> disbursements that totaled \$302,600; we judgmentally selected our sample to obtain disbursements made from each Town fund. Sixty-seven of these disbursements totaling \$127,415 were for highway department claims. While we found that, generally, claims contained appropriate documentation to allow for a proper audit, the Board had approved four highway department claims totaling \$6,183 that lacked proper support. Specifically, the attached

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<sup>2</sup> There were also an additional 24 payroll disbursements that totaled \$31,750, of which 16 that totaled \$26,038 were disbursed from the highway fund to pay highway employees. These disbursements are not included in this total because the Board does not regularly review them. Employee salaries are approved each year and the Supervisor is the only person who regularly reviews these disbursements.

supporting documentation for three highway claims totaling \$3,293 listed non-descriptive information such as ticket number or charges/credit amounts with a reference number. In addition, a fuel payment voucher for \$2,890 lacked any support that indicated an actual sales transaction took place; the voucher was supported only by a daily price sheet.<sup>3</sup> Such information, by itself, is not sufficient to verify the purchases are for legitimate Town purposes.

While the amount of discrepancies is minor in comparison to the total claims tested, all deficient claims were for highway department purchases. Given that we found serious deficiencies in the Town's controls over fuel purchases, as discussed in more detail in the next section, the Board's use of the claims audit function as an oversight control is essential. However, the Board needs to improve its claims audit process. In fact, Board members told us they did not always know exactly what the claims represented that they had approved for payment.

When the Board authorizes claims to be paid without adequate supporting documentation, the risk is increased that Town moneys could be disbursed for inappropriate purposes.

## **Fuel Inventory**

It is important that Town officials ensure that the Town's fuel purchases are properly accounted for and adequately safeguarded to protect them from waste and abuse. A good system of internal controls includes maintaining perpetual inventory records that identify quantities delivered, consumed, and on hand. Periodic reconciliations of fuel inventory records to physical fuel inventories<sup>4</sup> and reviews of mileage records for Town vehicles must be performed to help identify fuel loss due to leaks or unauthorized use. Material discrepancies should be promptly investigated and resolved.

The Highway Superintendent cannot be sure that fuel purchased by the Town is only used for Town purposes. Physical controls are non-existent and minimal records are maintained for fuel inventories. The switches to turn on the fuel pumps were completely unsecured, allowing anyone to pump fuel at any time.

The sole fuel inventory record was a notebook with which employees could record fuel pumped into Town vehicles. Town officials did not compare this recorded consumption to any fuel purchased or review consumption to verify that the fuel inventory was accurate and that fuel was used for appropriate Town purposes. Further,

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<sup>3</sup> See Appendix A for copies of these vouchers

<sup>4</sup> Physical inventories taken by, for example, the use of a measuring stick or tank gauge

Town employees manipulated the fuel recordings in this book. The Supervisor periodically made copies of the original notebook. We compared the copies he made of these notebook pages to the actual notebook maintained in the highway garage and found that original entries were later manipulated. For example, on February 22, 2012, the Supervisor's copy did not document that any fuel was pumped. However, the notebook maintained in the highway garage showed 32 gallons were pumped on this date for a chipper.<sup>5</sup> This manipulation demonstrates the weakness that, even if Town officials had attempted any fuel reconciliation, Town employees could adjust the record to eliminate any variance and conceal improper use of Town fuel.

Because the controls over fuel inventories were nonexistent and the fuel records were manipulated and therefore unreliable, we could not perform tests to determine whether fuel was missing. The Highway Superintendent stated that he had overlooked the process of maintaining accurate fuel inventories because he did not think fuel inventory controls were ever needed.

When Town officials do not safeguard and control fuel purchases, the risk is increased that fuel could be used for non-Town purposes.

## **Financial Duties**

The Supervisor is the Town's chief fiscal officer and is responsible for collecting, receiving, and having custody of all Town moneys. The Supervisor should segregate employees' duties in his office to ensure that no single individual controls most or all phases of a transaction. The concentration of key responsibilities (e.g., receiving bills, preparing claims and disbursing checks; recording the related transactions; and having access to cash) with one individual significantly increases the risk that errors or irregularities could occur and remain undetected and uncorrected. When circumstances do not permit for an adequate segregation of duties, the Supervisor should provide mitigating controls, such as management oversight. This oversight can include verifying all issued checks are included on claims abstracts.

The bookkeeper performs all of the Town's financial duties, except signing checks. These duties include receiving bills, preparing claims to be presented to the Board for audit, preparing checks, and comparing cash balances recorded in the accounting records with the balances reported on hand in the Town's bank accounts. The bookkeeper is also responsible for preparing payrolls for the Town's five highway employees, one water operator, and 13 elected and appointed officials.

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<sup>5</sup> See Appendix B for copies of these logs

The Supervisor signs each check that the bookkeeper presents to him to pay claims and payroll. However, no one verifies that all checks are presented for his signature. The Supervisor told us that he reviews the bank statements and looks at the check copies on the statements. However, the bookkeeper stated that no one verifies that all checks that cleared the bank are included on an abstract. Without this important review, the risk is increased that checks could be disbursed for non-Town purposes without detection.

We reviewed 110<sup>6</sup> checks totaling \$120,780 to determine if any checks cleared without the Supervisor's signature, and whether any unusual payments and payments made to utility companies were appropriate Town expenditures. We found no material exceptions.

## **Annual Audit**

Town Law requires that the Board annually audit the records and reports of all Town officers and employees that receive Town funds.

The Board has not audited the financial records of any Town officer or employee since at least 2004. In addition to the Supervisor, the Town Clerk and Town Justice also receive money on behalf of the Town. Two Board members stated that they have never conducted an annual audit and the Town Justice stated that no one has reviewed his records or conducted an audit of the Justice Court in years. In addition, the Supervisor was not aware that an annual audit was supposed to be conducted.

When no one can be sure that disbursements are legitimate and that Town inventories are used only for proper Town purposes, all of the Town's assets are at risk of loss or abuse. The absence of oversight of these activities also eliminates the ability to detect and correct these irregularities.

## **Recommendations**

5. The Board should verify that all claims presented to it are for proper Town charges.
6. The Highway Superintendent should ensure that fuel inventories are properly controlled and used only for proper Town purposes.
7. The Supervisor should oversee the duties of the bookkeeper or retain duties that would avoid the bookkeeper having the ability to record, reconcile, and have custody of Town assets.
8. The Board should audit, at least annually, the financial records of all Town officers that receive money on behalf of the Town.

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<sup>6</sup> The testing sample also included 80 random samples that totaled \$111,089.



Friday July 15, 2011

## DAILY PETROLEUM PRICES

Unless indicated otherwise, prices are tank car receiver, f.o.b. refiners and tanker terminals, ex taxes, Kerosene No. 2 fuel oil and Diesel prices are given in cents per gallon. No. 4 and 6 oil given in dollars per barrel. Ship bunkers given in dollars per metric ton.

	KEROSENE	NO. 2 OIL	ULTRA LOW SULFUR DIESEL	NO. 4 OIL 0.3%	NO. 6 OIL 0.3%	
NY bg reel		\$31.70		165.86	147.46	
NY bg con.		\$32.70		164.82 - 165.76	147.60 - 147.67	
NY tk car res		\$31.85 - 334.70	\$26.15 - 344.70	165.80	147.66	
NY tk car con	\$37.05	\$26.70 - 334.70	\$37.98 - 381.70	164.85 - 165.80	147.80 - 147.80	
	KEROSENE	NO. 2 OIL	ULSD PREM.	ULS DIESEL	ULSD DYED	DIESELS b-2% BIO w- WINTERIZED
Albany-ULSK	\$378.90					
Albany, NY		\$322.60 - 342.70e		\$325.35 - 333.80		
Baltimore Md	\$355.60	\$320.30		\$22.20 - 322.90e		
Boston Ma	\$362.02	\$314.65 - 316.94e	\$328.18 - 327.35e	\$23.30 - 325.85e	\$324.28	\$329.65
+Bridgeport Ct				\$21.75 - 326.68e		
Buffalo-ULSK	\$376.25	\$318.03 - 322.60		\$20.97 - 324.95	\$23.75 - 325.45	
Charleston SC	\$350.55	\$322.00		\$328.80 - 324.15		\$325.25
Chicago IL				\$318.81		
Delaware City				\$324.00 - 352.15e		
Milwaukee WI				\$319.91		
+NHavenULSK	\$367.10 - 385.55	\$311.65 - 322.90	\$323.15 - 330.10	\$22.60 - 335.00	\$323.85 - 328.00	
+Newark NJ		\$306.90 - 338.05e	\$323.85	\$22.15 - 323.95e	\$22.65 - 322.95e	
Newburgh NY	\$358.06	\$322.15	\$336.20	\$325.46 - 335.45e		
Norfolk Va	\$354.90			\$31.46		
Philadelphia	\$392.00	\$313.00 - 324.90		\$20.35 - 329.90	\$20.85 - 330.90	
Phila-2%BioDy						\$317.25 - 329.90b
Portland Me		\$318.01	\$323.79 - 342.40e	\$21.85 - 341.90e	\$242.05	\$317.75 - 330.40b
Portsmouth	\$401.70	\$315.98 - 319.48e	\$323.89 - 330.80e	\$323.01 - 330.30e		
Providence RI		\$315.86 - 323.10e	\$325.51 - 333.70e	\$325.00 - 332.70e		
Springfield Ma		\$317.05	\$331.45	\$330.98		
Syracuse NY	\$387.11	\$315.75 - 341.95e		\$24.07 - 365.05e		
Utica NY		\$343.80		\$321.85 - 354.80e		
Wilmington		\$333.05		\$325.30 - 332.60		
	NO. 4 OIL 0.6%	NO. 4 OIL- 1.0% 1.5%-e 1.7%-e	NO. 6 OIL 0.6%	NO. 6 OIL 1.0%	NO. 6 OIL 1.5%	NO. 6 OIL 2.0% 2.1%-r, 2.2%-r, 2.6-f
Albany res.		\$130.48 - 145.05e	137.90	127.30	115.34 - 128.00	
Albany con.		\$130.63 - 145.15ee	\$137.90	\$127.40	\$118.49 - 128.10e	
Boston	\$145.37 - 150.30e	\$138.55 - 143.80e	\$140.40 - 144.90e	\$128.28 - 132.90e	\$128.85	\$124.90
Boston						
Buffalo		\$121.00		\$120.00		\$121.15
NewHaven		\$144.14 - 144.38e	\$139.95	\$133.45 - 136.90e	\$119.00	
Norfolk						
Philadelphia	\$128.50 - 152.25e	\$125.50 - 153.35e	\$124.50 - 138.50e	\$112.25		\$120.85
Philadelphia	\$131.50 - 155.90e					\$112.25
Providence		\$138.55 - 143.80e		\$128.28 - 132.90e		\$112.25

**B99-Bio Diesel Harbor Price - 2.8997 Elizabeth, N.J.**  
 c - Consumer Price, Sulfur Max, y -0.3%, h -1.1%, e -1.5%, e -1.7%, r -2.1%, n -2.2%, f -2.8%.  
 +State Gross Receipt tax not included in New Jersey or Conn, w -Winterized Diesel b -Bio diesel  
 ++Bunker IF-380 New York - 671.00, and Phila. 882.00, Propane Selkirk, NY - Pipeline Selkirk - 1.6700 eff. July 12, 2011  
 e - ET, July 14 at 8 PM; d - ET, July 9.



# Callanan Industries, Inc.

Phone: (518) 374-2222  
 Fax: (518) 381-9979  
 email: ar@callanan.com

Town of Fremont  
 Attn Martin Meyer  
 12 County Rd 95  
 Fremont Center, NY 12736

<b>Invoice</b>	<b>505875</b>
Invoice Date:	6/4/11
Customer No:	171000

Remit To:  
 Box 15097  
 Albany, NY 12212-5097

Terms : Net 30

Date	Ticket	Qty	UM	Unit Price	Material Total	Tax	Total
<b>Material: 5044 - Type 7 Top</b>				<b>From: Asphalt - Liberty</b>			
5/31/11	75151005	7.980	TON	69.80	557.00	0.00	557.00
6/1/11	75152004	7.981	TON	71.37	569.60	0.00	569.60
6/2/11	75153003	7.984	TON	71.37	569.82	0.00	569.82
6/3/11	75154004	7.016	TON	71.37	500.73	0.00	500.73
		<b>30.96</b>			<b>2,197.15</b>	<b>0.00</b>	<b>2,197.15</b>

	<b>Qty</b>	<b>Material Total</b>	<b>Tax</b>	<b>Invoice Amount</b>
<b>Total Invoice:</b>	<b>30.96</b>	<b>2,197.15</b>	<b>0.00</b>	<b>2,197.15</b>

TERMS NET 30 DAYS.  
 ALL BILLS UNPAID WITHIN 30 DAYS OF INVOICE DATE WILL INCUR AN INTEREST CHARGE OF 1-1/2% PER MONTH



# STATEMENT

DATE

7/2/2011

**J. HUGHSON, EXV., INC.**  
 5239 State Route 52  
 P.O. BOX 557  
 JEFFERSONVILLE, NY 12748

**(845) 482-9826**

TO:

TOWN OF FREMONT  
 CR-95  
 PO BOX 11  
 FREMONT CENTER, NY 12736

AMOUNT DUE	AMOUNT ENC.
\$850.00	

DATE	TRANSACTION	AMOUNT	BALANCE												
06/02/2011	Balance forward		0.00												
06/27/2011	INV #7320. Due 06/27/2011. --- Hauling. 1 @ \$850.00 = 850.00 --- Tax: NYS Sales Tax @ 8.0% = 0.00	850.00	850.00												
<table border="1"> <thead> <tr> <th>CURRENT</th> <th>1-30 DAYS PAST DUE</th> <th>31-60 DAYS PAST DUE</th> <th>61-90 DAYS PAST DUE</th> <th>OVER 90 DAYS PAST DUE</th> <th>AMOUNT DUE</th> </tr> </thead> <tbody> <tr> <td>0.00</td> <td>850.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>\$850.00</td> </tr> </tbody> </table>		CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	AMOUNT DUE	0.00	850.00	0.00	0.00	0.00	\$850.00		
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	AMOUNT DUE										
0.00	850.00	0.00	0.00	0.00	\$850.00										

**J. HUGHSON, EXV., INC.**

DO NOT WRITE IN THIS BOX

VOUCHER

32

DEPARTMENT

CLAIMANT'S NAME AND ADDRESS

South End Auto Parts  
PO Box 30 - 44 miles  
Liberty Ny 12758

Date Voucher Received		VOUCHER NO.
FUND - APPROPRIATION	AMOUNT	
DAS 30.4		
TOTAL		

Vendor's Ref. No. FOID# 14-1465090

TERMS

Date	Quantity	Description of Materials or Services	Unit Price	Amount
				TOTAL 245.96

(See Instructions on Reverse Side)

CLAIMANT'S CERTIFICATION

I, Sandra Rosciano certify that the above account in the amount of \$245.96 is true and correct; that the items, services and disbursements charged were rendered to or for the municipality on the dates stated; that no part has been paid or satisfied; that taxes, from which the municipality is exempt, are not included; and that the amount claimed is actually due.

12/30/10  
DATE

*Sandra Rosciano*  
SIGNATURE

Bk  
TITLE

(Space Below for Municipal Use)

DEPARTMENT APPROVAL

The above services or materials were rendered or furnished to the municipality on the dates stated and the charges are correct.

1/11/11  
DATE

*J. Niece*  
AUTHORIZED OFFICIAL

APPROVAL FOR PAYMENT

This claim is approved and ordered paid from the appropriations indicated above.

*John [Signature]*  
DATE

*John [Signature]*  
AUDITING BOARD

**STATEMENT**

FROM: SOUTH END AUTO PARTS  
 111 Hill Street  
 Liberty, NY 12754

SLSNO:000

AS OF:  
 2010-12-29

PAGE: 1

TO: TOWN OF FREMONT  
 11 COUNTY ROAD  
 FREMONT CENTER NY 12736

ACCOUNT NO.  
 352

REFERENCE	AMOUNT	REFERENCE DATE	BALANCE
TOWN OF FREMONT 11 COUNTY ROAD FREMONT CENTER			
PREVIOUS BALANCE 2010-11-30			.00
Charges/Credits			
754237 Sale	245.96	2010/12/07	245.96

DUE DATE: 2011-01-10

TERMS

NEW BALANCE  
 245.96

CUR CHG: 245.96

CUR PAY: .00

LAST PAYMNT	31-60	61-90	91+
2010-08-24	.00	.00	.00

APPENDIX B

MANIPULATED FUEL LOG

Highway Garage Notebook

February 2012

20 MONDAY

- 9
- 10
- 11
- 12
- 1
- 2
- 3
- 4
- 5
- 6

21 TUESDAY

#9A 5 gal CB

- 9
- 10
- 11
- 12
- 1
- 2
- 3
- 4
- 5
- 6

FEBRUARY

S	M	T	W	T	F	S
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

PRESIDENTS' DAY

MARCH

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

ASH WEDNESDAY

"The harder the conflict, the more glorious the triumph."  
- Thomas Paine

February 2012

WEDNESDAY 22

- 9
- 10
- 11
- 12
- 1
- 2
- 3
- 4
- 5
- 6

chipped 2 32 gal

THURSDAY 23

- 9
- 10
- 11
- 12
- 1
- 2
- 3
- 4
- 5
- 6

#5 15 gal CB  
Broom 16 gals Robb's

Supervisor's Copy

February 2012

20 MONDAY

9  
10  
11  
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6

21 TUESDAY

#9A 5 gal CB

9  
10  
11  
12  
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5  
6

FEBRUARY

S	M	T	W	T	F	S
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29			

PRESIDENTS' DAY



MARCH

S	M	T	W	T	F	S
			1	2	3	
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

ASH WEDNESDAY

9  
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11  
12  
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3  
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5  
6

#5 15 gal CB  
Broom 6 gals Robbis

9  
10  
11  
12  
1  
2  
3  
4  
5  
6

"The harder the conflict, the more glorious the triumph."  
— Thomas Paine

February 2012

WEDNESDAY 22

THURSDAY 23

## **APPENDIX C**

### **RESPONSE FROM LOCAL OFFICIALS**

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

Town of Fremont  
P.o. Box 69 Fremont Center, N.Y.12736  
845-887-6605

N.Y.S.O.S.C  
Div. of Local Gov. and School Accountability  
110 State Street  
Albany, N.Y.12236-0001

Dear Sirs:

This letter is in response to your draft report we received on 6-5-2013. While we welcome your over site and suggestions we do have a couple of comments about your report .

It was our understanding that the primary reason for your attention to our town for audit was the justice court, but little or no mention is made of that office. As for the depletion of fund balance , we believe that we are not alone as we are In a depression that no one under the age of 80 has witnessed. The board had hoped that the audit would have recognized the fiscal restraint that the board showed ,especially with relationship to the lack of salary increases for all of the elected officials for the last five years would have been mentioned. As for the assertion that there is no over site of the bookkeeper , I get all the mail and put All the gen fund bills together. The only bills that the bookkeeper does are the pre approved bills (phone ,elec.,etc.).In addition to that the bills then go to the board for review and then to the clerk to be put on an abstract that is given to me and the bookkeeper. The checks are prepared by the bookkeeper and then I review them again before they are signed .

See  
Note 1  
Page 26

As for the recognition of a more realistic 2013 budget , that is appreciated but I want to point out that the way that budget was produced was ,at a budget workshop held on 9-12-12 the previous years budget and the AFR and the appropriation sheets that are produced at each meeting were used to make that budget. Yet in your report you state that I did not provide the board with any reports comparing the actual financial results to the adopted budgets for the general fund. I find that to be incorrect. As for your suggestion of a multiyear financial plan we agree and are working with a CPA on that. Our CAP will follow shortly.

See  
Note 2  
Page 26

George E Conklin III Supervisor

## APPENDIX D

### OSC COMMENTS ON THE LOCAL OFFICIALS' RESPONSE

#### Note 1

When circumstances do not permit for an adequate segregation of duties, it becomes more important for proper mitigating controls, such as management oversight, to be in place. No one verifies that all checks that cleared the bank are included on an abstract and the Board has not audited the records of any Town officer. This lack of important oversight puts Town assets at risk of loss or abuse, including the risk that checks could be disbursed for non-Town purposes without detection.

#### Note 2

Our report focuses on the Board's failure to monitor the budget throughout the year, not during the budget adoption process.

## APPENDIX E

### AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review the Town's processes for developing and monitoring of operating budgets, and its disbursements for the period of January 1, 2011, to November 15, 2012. Our audit procedures included the following:

- We interviewed Town officials about their budget and monitoring processes and gained an understanding of their internal controls over cash disbursements, fuel and highway inventory, and purchases.
- We determined how close budget estimates were by comparing the adopted budgets to the actual expenditures.
- To determine if budget estimates were reasonable, we identified revenues and expenditures at or above 5 percent of an operating fund's total revenues/expenditures and compared the estimates in the budget with the last completed fiscal year's actual revenue/expenditure figures for a five-year period.
- To determine if fund balance was being depleted, we compared actual revenues to actual expenditures and determined the percentage of fund balance being used each year for a five-year period.
- We tested bank statements for completeness, confirmed all debits and credits, verified the mathematical accuracy of the bank reconciliations, and traced the balances to the bookkeeper's ledger.
- We reviewed the bank statements for outstanding checks and deposits to ensure they were properly recorded.
- We reviewed bank statements for checks issued out of sequence to determine whether these checks had Board approval and the purchase was appropriate.
- We reviewed bank check images for checks clearing without proper authorization, for any unusual payments, and for payments to utility companies.
- We reviewed electronic payment activities to ensure that they were properly approved and recorded, and that they were proper Town expenses.
- To determine if employees were properly paid, we reviewed the adopted budget and divided the approved salary by the number of pay periods and traced payments to the payroll reports.

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 F

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**APPENDIX G**  
**OFFICE OF THE STATE COMPTROLLER**  
**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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