



Town of Camden

Internal Controls Over Salaries/Benefits and Ambulance Services

Report of Examination

Period Covered:

January 1, 2012 — September 30, 2013

2014M-82



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2014

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 Camden, entitled Internal Controls Over Salaries/Benefits and Ambulance Services. 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 Camden (Town) is located in Oneida County and has a population of approximately 4,930. The five-member Town Board (Board) is the legislative body responsible for the general management and control of the Town's financial and operational affairs. The Town Supervisor (Supervisor) is the Town's chief executive officer and chief fiscal officer. The Supervisor, who is a Board member, has the overall responsibility for receiving and disbursing Town moneys, maintaining accounting records and preparing financial reports.

The Supervisor has appointed a bookkeeper to assist him in his financial and reporting responsibilities. The Town's budgeted operating appropriations for the 2013 fiscal year were approximately \$1.3 million, funded primarily with real property taxes, sales tax and ambulance service fees.

Scope and Objective

The objective of our audit was to review the internal controls over salaries and benefits and over billing and collection of ambulance service fees for the period January 1, 2012 through September 30, 2013. We extended our audit back to January 1, 2011 for trend analysis of ambulance revenues and write-offs and forward to December 31, 2013 for our analysis of salaries and benefits. Our audit addressed the following related questions:

- Did the Board authorize salaries and benefits for all Town officers and employees?
- Did the Board provide adequate oversight of the billing and collection of ambulance service fees?

Audit Results

The Board did not properly authorize salaries and benefits for all Town officers and employees as required by law. Wage rates paid to Town employees were either not properly documented or not approved, and we found questionable payments to members of the Supervisor's family. For example, as one of two Town court recorders, the Supervisor's wife was paid \$4,186 for 2013 with no Board approval of her salary or record of hours worked, while the other individual in the same position was paid \$3,703 based on recorded hours worked. Further, the cemetery custodian (the son of the Supervisor's wife) received an unauthorized biweekly salary increase of \$50 which totaled \$2,100 in extra pay from May 2012 through December 2013. We also found that the Board failed to include the additional compensation paid to the Supervisor in his capacity as cemetery official, totaling \$10,000 for the combined 2012 and 2013 fiscal years, in the notice of public hearing each year.

The Board did not adopt resolutions to define and authorize the fringe benefits provided to officials and employees. The Town paid a total of \$217,000 in the combined 2012 and 2013 fiscal years for health insurance benefits that were not properly authorized, for the Highway Superintendent, four Highway Department workers and the Town Supervisor. Also, we found that the Highway Superintendent approves paid sick days for his employees without Board authorization. These inadequate controls increase the risk of inequities or irregularities in the compensation and benefits provided to Town officials and employees.

Additionally, the Board has not provided adequate oversight of the billing and collection of ambulance user charges. The Board did not segregate the ambulance bookkeeper's duties or provide any compensating controls such as reviewing her work or providing for an annual audit of her books and records. Further, the Board was not aware that the ambulance bookkeeper updated the fee schedule without its approval and had been paying incidental bills for services without a proper Board review of those bills. As a result, the Board could not be sure that all ambulance services were properly billed and all moneys deposited.¹ While we found no significant exceptions in the ambulance bookkeeper's records, without adequate segregation of duties or compensating controls, there is an increased risk that funds could be misappropriated or services might not properly be billed.

Comments of Town 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 the issues raised in the Town's response letter.

¹ Since we brought this issue to the attention of Town officials, the ambulance bookkeeper has been submitting incidental bills related to ambulance services to the Town Clerk, and they are paid through the Town's normal claim process.

Introduction

Background

The Town of Camden (Town) is located in Oneida County and has a population of approximately 4,930. The five-member Town Board (Board) is the legislative body responsible for the general management and control of the Town's financial and operational affairs. The Town Supervisor (Supervisor) is the Town's chief executive officer and chief fiscal officer. The Supervisor, who is a Board member, has the overall responsibility for the receiving and disbursing of Town moneys, maintaining accounting records and preparing financial reports. The Supervisor appointed a bookkeeper to assist in his financial and reporting responsibilities.

The Town's budgeted operating appropriations for the 2013 fiscal year were approximately \$1.3 million, funded primarily with real property taxes, sales tax and ambulance service fees. Appropriations for salaries, wages and benefits represented about \$759,000, or approximately 60 percent, of the 2013 adopted budget.

The Town took over the operation of a cemetery within its borders in June 2007. The Supervisor served as Secretary/Treasurer of the cemetery association prior to the Town assuming the cemetery operations.

The Town provides ambulance service to the Town, the Village of Camden and two neighboring towns.² The Town employs an ambulance bookkeeper to bill for services provided, collect payments for the billings and record and deposit payments. The Town ambulance service generated approximately \$224,000 in fees during 2012 and \$237,000 in 2013 for advanced and basic life support services.

Objective

The objective of our audit was to review the internal controls over salaries and benefits and over the billing and collection of ambulance service fees. Our audit addressed the following related questions:

- Did the Board authorize salaries and benefits for all Town officers and employees?
- Did the Board provide adequate oversight of the billing and collection of ambulance service fees?

² The Towns of Osceola and Florence

**Scope and
Methodology**

We examined internal controls over salaries and benefits and over the billing and collection of ambulance service fees for the period January 1, 2012 through September 30, 2013. We extended our audit back to January 1, 2011 for trend analysis of ambulance revenues and write-offs and forward to December 31, 2013 for our analysis of salaries and benefits.

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 is included in Appendix C of this report.

**Comments of
Town 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 the 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.

Salaries and Benefits

Board members are the Town's fiscal stewards responsible for directing and overseeing its financial activities. The Board must authorize and approve all salaries and wages paid to employees, as well as any benefits provided to them. The Board should clearly stipulate employees' compensation and benefits. Documenting this authorization in writing by resolution, or in a policy document approved by resolution, is an important internal control over payroll and employee benefit expenditures. Such documentation communicates the Board's intent to the officers and employees who must execute the procedures and provides public transparency of the Board's intentions.

On or before the Thursday following the general election, the Board must hold a public hearing on the Town's preliminary budget. A notice of the public hearing must be published at least five days prior to the hearing date. The notice must include the proposed salary for each Board member, the Town Clerk and an elected Town Highway Superintendent. The Supervisor's salary is for all services performed by the Supervisor, in that capacity. The Supervisor is not entitled to additional salary, unless otherwise authorized by law.

The Board did not properly authorize salaries and benefits for all Town officers and employees as required. We also found questionable compensation payments to members of the Supervisor's family. Further, the Board did not include the compensation paid to the Supervisor for services as cemetery official in the notice of public hearing each year.³ Additionally, Town officials could not provide adequate documentation of authorization for any leave benefits provided to Town employees or for health insurance and a health insurance buyout for full-time employees. The Town paid \$104,000 in 2012 and \$113,000 in 2013 to provide the Highway Superintendent, four Highway Department workers and the Supervisor with fully paid health insurance benefits that were not properly authorized. Finally, there is no evidence that the Board authorized vacation, sick and holiday leave benefits for Highway Department employees.

Authorization for Salary and Wage Rates – While salaries paid⁴ to the codes enforcement officer, budget officer and dog control officer agreed with line item amounts contained in the Town's 2012 and

³ The Supervisor also receives a separate payment of \$3,500 as budget officer which is permitted under Town Law.

⁴ The salaries for elected officials were included in the "Schedule of Salaries of Elected Officials" attached to the Town's annual budgets for 2012 and 2013.

2013 budgets, there was no separate documentation to indicate salary and wage rates set by the Board. Salaries paid to the assessor, deputy assessor, bookkeeper, cemetery custodian, ambulance bookkeeper, Deputy Town Clerk, clerk to the assessor and ambulance captain were in a supplemental schedule for 2012 but, similarly, there was no indication that the Board authorized those rates.⁵ Town officials also did not have documentation to show that the Board set the hourly wages paid to the five motor equipment operators or either of the two court recorders, the salary paid to the cemetery official or the \$1,000 stipend paid to the registrar.

The Supervisor told us that wages are discussed and then passed as part of the budget process. However, when there is no documentation showing the salary and wage rates set by the Board, there is an increased risk that these officers and employees could be paid a different amount than the Board intended.

We also found questionable payments to members of the Supervisor's family, as follows:

- As one of the Town's two part-time court recorders, the Supervisor's wife received gross wages of \$4,186 for 2013⁶ without submitting a time record of hours worked, and there was no documented Board approval of her salary. However, the other part-time court recorder filled out a time record every two weeks that showed start and stop times and was paid based on the number of hours reported. This employee's gross wages were \$3,703 for 2013. We question the different treatment of compensation for these two positions with the same job title.
- The Supervisor's wife was paid an additional \$598.50 in December 2013 by voucher with reference to hours worked as a court recorder.⁷ The voucher shows the total number of hours worked in each month from January through June, but lacks itemization of specific days worked and the start and end times. Furthermore, there was no indication that the Court's justice approved the extra hours worked. Because this payment was not made through the payroll, appropriate payroll taxes were not withheld and the amount was not reported as additional wages to the State Department of Taxation and

⁵ There was no supplemental schedule for 2013.

⁶ The payroll registers for 2013 show that the Supervisor's wife was paid biweekly for 11.5 hours at a rate of \$14 per hour (totaling \$161). The other court recorder was also paid \$14 per hour.

⁷ For working 42.75 hours at \$14 per hour

Finance or to the Internal Revenue Service. The Supervisor could not provide a reasonable explanation for why the Town made this additional payment by voucher.

- In May 2012 the cemetery custodian (the son of the Supervisor's wife) received a \$50 increase in his biweekly pay with no indication that the Board approved this pay raise, which resulted in \$2,100 in extra pay from May 2012 through December 2013. A handwritten note by the bookkeeper in the employee's personnel file indicated that the Supervisor told her to increase the rate of pay. The Supervisor has no authority to unilaterally provide pay raises.

We also found that, in addition to his annual pay of \$10,000 for the Supervisor's position and an annual salary of \$3,500 for serving as the Town's budget officer,⁸ the Supervisor received \$4,500 in 2012 and \$5,500 in 2013 for acting as the cemetery official.⁹ We found no indication that the Board had created a separate position of cemetery official or assessed whether the Supervisor could lawfully hold that separate position.¹⁰ Moreover, it appears that a primary function of the Supervisor as cemetery official is to collect payments for plots and burials, which is already part of his duties as Supervisor. Therefore, if the Board was of the view that the Supervisor should receive additional compensation for this function, it should have established the salary for the office of Supervisor at a higher amount. This higher figure should have been the amount stated in the notice of public hearing for the preliminary budget. The Board did not establish the Supervisor's salary at a higher amount and did not include the Supervisor's compensation as cemetery official in the notice of public hearing for the preliminary budget.

Health Insurance and Leave Benefits – The Board has not adopted resolutions to define and authorize the fringe benefits provided to Town officers and employees. The Supervisor told us that all full-

⁸ Town Law permits the Board to pay the Supervisor a separate salary in his capacity as budget officer.

⁹ According to the Supervisor, his duties as cemetery official include overseeing the cemetery, selling and collecting payments for lots, meeting with the bereaved regarding purchase of plots and dealing with funeral homes. He also conducts genealogical research.

¹⁰ It is generally held to be against public policy for a board to appoint one of its own members to a separate position (*Wood v Town of Whitehall*, 120 Misc 124), which would be the case if the board created the position of cemetery official and appointed the Supervisor to it. In addition, appointing the Supervisor to the separate position of cemetery official could raise the issue of incompatibility. Two public positions are incompatible when one is subordinate to the other or there is an inherent inconsistency between the two (see Atty Gen Inf Opn No. 99-39).

time workers are eligible for health insurance and his position receives benefits at the Board's discretion. However, there is no written evidence that the Board authorized any Town officials or employees to receive health insurance benefits¹¹ paid by the Town. The Town paid \$104,000 in 2012 and \$113,000 in 2013 to provide the Highway Superintendent (Superintendent), four Highway workers and the Supervisor with fully paid health insurance benefits.¹² Additionally, two Town employees (the code enforcement officer and a Highway Department employee) are each receiving health insurance buyouts¹³ of \$1,500 per year.

The Supervisor told us he receives the same benefits as the prior Supervisor, who also had fully paid health insurance. However, Town officials were not able to provide any documentation, such as a discussion in the minutes or a Board resolution, concerning the Board's decision to provide health insurance benefits. The Supervisor told us the Board authorized health insurance benefits by budgeting money in the departmental budget lines of those departments for which the Town is paying employees' health insurance costs. However, including appropriations for health insurance in the annual budgets is not sufficient to clearly define the Town's eligibility requirements for extending these benefits to officers and employees.

Further, the Town provides paid vacation pay of 10 or 15 days¹⁴ per year and seven paid holidays to the five Highway Department motor equipment operators. In addition, although Highway Department employees do not receive a fixed number of sick leave days, Town officials told us the Highway Superintendent approves paid sick leave for his employees at his discretion. Town officials could provide no evidence that the Board had authorized any officials or employees to receive leave benefits paid by the Town. Without documentation of the Board's intention to provide leave benefits, Town workers could receive, use or get paid for more days than the Board intends.

Recommendations

1. The Board must authorize all salaries, wages and fringe benefits provided to officers and employees. The Town Clerk should record any official Board actions relating to such authorizations in the Board minutes.

¹¹ When we refer to health insurance, we are including health insurance, dental benefits and vision coverage.

¹² The Town expended \$19,305 in 2012 and \$21,100 in 2013 for the Supervisor's health insurance coverage.

¹³ Payments to employees in exchange for the employee not participating in the Town's health care plan

¹⁴ For Highway Department employees (who are the Town's only full-time employees), the Town provides 10 vacation days per year from the date of hire through 10 years of employment and 15 days per year thereafter.

2. The Board should require all hourly employees to complete time records and all time records should be approved and signed by each employee's immediate supervisor.
3. The Supervisor should ensure that salary and wage payments to employees are made through payroll and that applicable payroll taxes are properly withheld and reported.
4. The Board should determine if the position of cemetery official is separate from that of Supervisor. If it is, the Board should contact the Attorney General's Office regarding compatibility of these positions.
5. The Board should review the questionable salary payments identified in this report and seek recovery as appropriate.

Ambulance Services

General Municipal Law authorizes towns to provide, directly or by contract, emergency medical service, a general ambulance service or a combination of those services for pre-hospital emergency treatment and transporting sick or injured individuals for treatment. The Board may establish fees or charges for persons using ambulance services. The Board is responsible for establishing a system of internal controls to provide reasonable assurance that ambulance fees are properly billed, received, deposited and recorded, and that adequate records are maintained. The Board is required on an annual basis to audit, or cause to be audited, the records and reports of all Town officers and employees who receive and disburse cash to help ensure that all Town moneys have been adequately accounted for.

The Board has not established policies or procedures for the billing, collection and enforcement of ambulance fees and has not segregated the duties of the ambulance bookkeeper or provided additional oversight as a compensating control. As a result, the Board was not aware that, for the first half of our audit period, the ambulance bookkeeper paid bills out of the ambulance bank account without Board audit and approval of the related claims totaling \$4,507, and that the ambulance bookkeeper changed the fee schedule in November 2012. Additionally, the Board did not audit the ambulance bookkeeper's records during our audit period and did not require her to complete monthly bank reconciliations.

Segregation of Duties – A key component of an effective system of internal controls is the segregation of incompatible duties, which should ensure that no one person controls, or has the ability to control, all phases of a transaction. Concentrating key duties with one individual (i.e., billing, cash custody and recordkeeping) with little or no oversight significantly increases the risk that errors or irregularities could occur and remain undetected. If limited resources make it difficult to segregate duties, the Board should implement compensating controls, such as designating someone outside the cash collection and billing process to regularly review records, bank statements, canceled checks and bank account reconciliations. This would include comparing recorded transactions with supporting documents (e.g., comparing source documents to billings and recorded receipts to deposits) and reviewing disbursement activity on bank statements.

The Board did not adequately segregate the ambulance bookkeeper's financial duties or establish compensating controls. Ambulance

personnel complete Pre-hospital Care Reports (PCRs) for all ambulance service calls. The ambulance quality control officer reviews the reports and forwards them to the ambulance bookkeeper for billing purposes. The ambulance bookkeeper then controls the rest of the billing and collection process, i.e., preparing bills, receiving payments, preparing and making deposits into a bank account under the bookkeeper's control; maintaining the accounting records for ambulance charges; and signing checks to disburse funds from the bank account. There is no process in place for anyone to periodically review the ambulance bookkeeper's records or to check her work.

In addition, the ambulance bookkeeper does not reconcile the ambulance bank account with the accounting records but, instead, at the end of each month, clears the bank account by writing a check to the Supervisor for the balance in the bank account. The failure to perform monthly bank reconciliations and to compare recorded collections with the amount remitted to the Supervisor each month increases the possibility that errors or irregularities may occur and not be detected in a timely manner.

Furthermore, up to February 2013, the ambulance bookkeeper paid incidental bills for the ambulance service (e.g., refunds to customers for overpayments, postage, office supplies and monthly software vendor charges) and sent the Supervisor the net amount of collections.¹⁵ The Supervisor told us he was not aware that the check he was receiving was net of payments made by the bookkeeper. In the absence of bank reconciliations, Town officials do not have the information needed to verify that the bookkeeper's remittance accurately reflects collections and payments. (Since we brought this issue to the Town's attention, the ambulance bookkeeper has been submitting incidental bills related to the ambulance service to the Town Clerk, and they are paid through the Town's normal claim process.)

We reviewed all disbursements from the ambulance bookkeeper's bank account during the audit period and found that the disbursements were for proper Town purposes. We also confirmed that the ambulance bookkeeper discontinued paying incidental bills out of this bank account as of February 2013. However, due to the lack of segregation of duties and compensating controls, the Board cannot ensure that all ambulance services provided are properly billed and all moneys collected are deposited. We randomly selected two months from our audit period and reviewed a sample of 10 of 53 PCRs for June 2012 totaling \$5,735 and nine of 40 PCRs for June 2013 totaling \$8,505. We verified that the bills were calculated correctly, based on

¹⁵ With limited exceptions, Town Law requires the Board to audit and approve all claims prior to payment. Moreover, under Town Law, the Supervisor is responsible for the disbursement of all Town moneys (TL 29[3]).

the information provided on the PCRs. Additionally, we randomly selected payments received for one month (August 2013) and reviewed 19 payments for ambulance service on 23 dates totaling \$7,205. We verified that the amount collected agreed with the billing reports and the amount deposited in the bank.

Although our tests of the ambulance bookkeeper's records did not identify any significant exceptions, without adequate segregation of duties or compensating controls, the risk is increased that funds could be misappropriated or services might not be billed without detection or correction.

Schedule of Fees – Fees charged for ambulance services must be established by the Board. However, the Board did not set fees for the ambulance services that were billed from November 2012 through March 2013, but, instead, on March 11, 2013, retroactively approved the fee schedule that was established by the ambulance bookkeeper in November 2012. According to the ambulance bookkeeper, the software vendor the Town uses for some of its billing suggested the rates based on the fees of other similarly sized towns. The Supervisor said he was not aware that rates had been increased by the ambulance bookkeeper.

Annual Audit – Town Law requires all Town officers and employees who receive or disburse moneys during a fiscal year to present their books and records to the Board for audit by January 20th of the following year.¹⁶ An effective annual accounting provides an added measure of assurance that financial records and reports contain reliable information on which to base management decisions and gives the Board the opportunity to monitor the Town's fiscal procedures. Indications that an audit was performed should be entered in the Board's minutes.

The Board did not audit, or cause to be audited, the financial records of the ambulance bookkeeper during our audit period. After we concluded fieldwork, Town officials informed us that the Board audited the 2013 records of the ambulance bookkeeper in January 2014.

Recommendations

6. The Board should establish written policies and procedures that provide guidance for the billing, collection and enforcement of ambulance fees.

¹⁶ The Town may also engage the services of a certified public accountant or public accountant to perform the annual audit within 60 days of the close of the fiscal year.

7. The Board should segregate duties for the billing, collecting and recording of ambulance fees or provide for compensating controls, such as designating someone outside the cash collection and billing process to regularly review records, bank statements and bank account reconciliations.
8. The Board should ensure that the ambulance bank account is reconciled monthly.
9. The Board should conduct an annual audit of the ambulance bookkeeper's records or engage an independent auditor to conduct the audit.

APPENDIX A
RESPONSE FROM TOWN OFFICIALS

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

TOWN OF CAMDEN
ONEIDA COUNTY NEW YORK 13316
47 Second Street P.O. Box 265
Camden NY 13316
315-245-2180

Supervisor
Daniel Yerdon
Town Clerk/Tax Collector
Diana Davis
Town Councilmen
John Gerber
Richard Norton
Steve Montgomery
Chad Walker

Superintendent of Highways
Michael Seymore
Codes Enforcement Officer
Tyler Henry
Town Justices
Benjamin Mitchell
Harold Closs

May 20, 2014

Office of the State Comptroller
333 E. Washington Street
Syracuse New York 13202-1428

Dear Comptrollers Office:

The Town Board of Camden has reviewed the 2013 New York State Audit. The most important message from this document is that the Town's financial records are sound. There are no disparities and all monies are accounted for.

It is frustrating for the Board to read some of the statements of this audit, since the auditor based his conclusions on incomplete information. In addition, after the Board gave clarifying facts, the auditor refused to change any of his statements. The audit draft appears more as a political document, by referring to the relatives of an elected official, instead of referring to them as town employees. This implies that there was impropriety, even though the auditor admitted there was nothing illegal in the town's hiring or payments of any employee. An example is that the Recorder referred to in the Audit, served as a Town Justice and during that time only received the payment as a recorder. This actually saved our town \$6,500, yet this is not even mentioned in this document. Another example concerning a cemetery worker implies that a relative of an employee received preferential treatment with an unauthorized raise. Whom the employee is related to has nothing to do with the issue. The fact is that the Board discussed and approved the raise. This employee earned \$15,000 a year, and the position had not received an increase since 2004. The auditor claims this was not properly approved with a motion; however the Board had already approved the increase in the budget.

Since this was the first formal audit in over twenty years, there are recommended changes in the way the Board approves expenditures. We do recognize the need for specific resolutions for the allocation of monies in each department. The Town Board agrees to make any recommended changes found in this Audit report.

The Town Board is committed to serving the people of Camden with integrity and honesty. It is disappointing that the State Auditor seems more concerned with attracting negative reactions from the Board and the community than working with the Board. The Town Board fully expected to learn how to improve the budgetary process and record keeping in a positive manner. Instead we feel frustrated and annoyed with our State Government and Comptroller's Office with the lack of support they provided for our town.

Sincerely,

Daniel W. Yerdon Town of Camden Supervisor

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APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

Our audit conclusions are not based on incomplete information. Any clarifying facts the Supervisor or Board provided during the course of the audit were considered by the audit team and included in the report as appropriate.

Note 2

The draft report conveys the facts identified during the audit. Because many of the exceptions found during our testing related to the Town Supervisor or his family members, we considered this information relevant and therefore included it in the report.

Note 3

We modified our report to focus on the court recorder's compensation during 2013 and to remove reference to her 2012 salary, when she was serving as the Justice. The objective of the audit was to determine if the Board authorized salaries and benefits, not to quantify cost savings.

Note 4

There was no documentation in the Board's meeting minutes showing that the cemetery custodian's salary was increased. Furthermore, the Town's budget does not include any financial activity relative to cemetery operations.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of this audit was to review the Town's procedures related to authorization for salaries and benefits and the billing and collection of ambulance fees. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- To obtain an understanding of the Town's payroll procedures and the procedures for billing, collection and enforcement of ambulance fees, we interviewed Town officials and employees, reviewed Board minutes and inquired if the Board had any related policies and procedures.
- We reviewed health insurance claim vouchers totaling \$104,000 for 2012 and \$113,000 for 2013 to determine who is covered by the Town's health insurance and the cost of the coverage.
- We reviewed Town budgets for 2012 and 2013, including the Schedule of Salary of Elected Officials, to determine what wages were officially authorized by the Board. We also reviewed other unofficial documents to attempt to verify salaries for various employees.
- We randomly selected the month of March 2013 to review payroll payments to employees and officials.
- We reviewed payments made by the ambulance bookkeeper out of her Town bank account for the period January 1, 2012 through September 30, 2013.
- We reviewed PCR reports prepared by the ambulance personnel for the randomly selected months of June 2012 and June 2103. We reviewed 10 of 53 PCRs for June 2012 totaling \$5,735 and nine of 40 PCRs for June 2013 totaling \$8,505 for proper billing.
- We randomly selected the month of August 2013's ambulance receipts and traced 19 payments for ambulance service on 23 dates, totaling \$7,205, to the PCR forms and verified the accuracy of the billing and subsequent receipt and deposit of payment into the ambulance bookkeeper's Town bank account.
- We inquired to determine if the Board had audited or contracted for an annual audit of the ambulance bookkeeper's records and reports.

We conducted this performance audit in accordance with 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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