



Town of Dansville

Board Oversight

Report of Examination

Period Covered:

January 1, 2012 — February 28, 2014

2014M-115



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 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 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 Dansville, entitled Board Oversight. 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 Dansville is located in Steuben County and had a population of 1,842 as of the 2010 census. 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 Town moneys, maintaining the accounting records and preparing financial reports. To assist the Supervisor in his accounting duties, the Board annually appoints the Town Clerk as the Supervisor's bookkeeper. The Town's 2014 budgeted appropriations are approximately \$1.1 million.

The Board is responsible for the Town's fiscal management and oversight to ensure that the Town's assets are safeguarded, recorded and accounted for properly. Board members are also responsible for making sound financial decisions that are in the best interests of the Town and its residents. The Board enters into contracts for provisions of services on the residents' behalf, such as fire protection and emergency medical services. It also enters into contracts for shared services, such as highway equipment, that help reduce the costs of the provision of highway services to residents.

The Town Clerk (Clerk) was reelected to a four-year term in November 2013. The Clerk's responsibilities include collecting moneys for the sale of dog, marriage and conservation licenses; birth and death certificates; landfill tickets; building permits and certified copies. Generally, fees collected by the Clerk are the property of the State, the County or the Town and must be allocated and remitted monthly to the appropriate government agencies with an applicable report.

Scope and Objective

The objective of our audit was to review the Board's oversight of Town assets and the Clerk's operations for the period January 1, 2012 through February 28, 2014. We extended our scope for scrap metal proceeds used as a gift of public funds for the period January 1, 2009 through December 31, 2013. Our audit addressed the following related question:

- Has the Board provided adequate oversight to safeguard Town assets?

Audit Results

We found that the Board has not provided adequate oversight to safeguard Town assets. Specifically, the Board has not adopted adequate policies to ensure Town assets are safeguarded and used only for necessary and authorized Town purposes. The Board appointed the Clerk to act as the Supervisor's bookkeeper, which circumvents legally established controls between the Clerk's and the Supervisor's

duties. The Board did not audit, or cause to be audited, the records of the Supervisor, Clerk or Tax Collector, which would have helped to detect any discrepancies. Our tests of cash receipts and disbursements for both the Supervisor and Clerk determined that they were properly recorded and reported.

The Board has not formally developed or adopted a comprehensive, multiyear financial and capital plan, and it did not have any other mechanism in place to adequately address the Town's long-term operational and capital needs. Town officials told us that they were saving up for a new highway building in the future but had not earmarked this money. The highway fund had enough fund balance at the end of fiscal year 2012 to cover 71.6 percent of its estimated 2013 expenditures and did not have any legally established reserves. A comprehensive, multiyear financial and capital plan would be a useful tool for the Board to address the large fund balance by aiding in the establishment of reserves and formally laying out its plans for the new highway building.

None of the Town's six fire protection and emergency medical services contracts contained provisions for Town officials to review the service provider's financial records. In addition, the Board approved \$22,075 in payments to three of the four providers prior to obtaining finalized, signed contracts. Another payment for \$3,200 was paid to the Village of Dansville for rescue services when called out with the emergency medical services; however, neither contract with the Village of Dansville provided for this payment.

The Board did not ensure that the Town's shared services contract was kept current to reflect equipment and permit changes, and changes in the arrangement between the four Towns included in the contract. The contract lists the Town of Dansville as the Lead Town, but Town officials told us that the Town of Cohocton currently has this role. The Board also approved a \$1,000 payment to the Town of Cohocton (as the Lead Town) in June 2013 without any supporting documentation.

Since 2011, the Board approved bonuses for the Highway Superintendent, which resulted in his receiving \$1,200 more in compensation than allowed. Further, Town officials did not record moneys received for scrap sales – which totaled \$8,913 from fiscal years 2009 through 2013 – as Town revenues and did not record expenditures of the scrap proceeds as Town expenditures. In each of these fiscal years, the Board authorized the Highway Superintendent to use money from the sale of Town scrap metal for a Christmas party for employees, vendors and residents. However, there is no authority to expend Town funds on a holiday party. Town officials estimated that the expenses related to these parties totaled approximately \$6,000 for all five years. Party expenses were significantly lower than the \$8,913 total scrap metal sale revenues. Town officials were unable to account for the estimated remaining \$2,900 in scrap metal proceeds.

The Board's failure to provide adequate oversight places Town assets at risk of being misused or misappropriated.

Comments of Local Officials

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our recommendations and indicated they planned to initiate corrective action.

Introduction

Background

The Town of Dansville is located in Steuben County and had a population of 1,842 as of the 2010 census. 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 Town moneys, maintaining the accounting records and preparing financial reports. To assist the Supervisor in his accounting duties, the Board annually appoints the Town Clerk as the Supervisor's bookkeeper. The Town's 2014 budgeted appropriations are approximately \$1.1 million.

The Board is responsible for the Town's fiscal management and oversight to ensure that the Town's assets are safeguarded, recorded and accounted for properly. Board members are also responsible for making sound financial decisions that are in the best interests of the Town and its residents. The Board enters into contracts for provisions of services on the residents' behalf, such as fire protection and emergency medical services. It also enters into contracts for shared services, such as highway equipment, that help reduce the costs of the provision of highway services to residents.

The Town Clerk (Clerk) was reelected to a four-year term in November 2013. The Clerk's responsibilities include collecting moneys for the sale of dog, marriage and conservation licenses; birth and death certificates; landfill tickets; building permits and certified copies. Generally, fees collected by the Clerk are the property of the State, the County or the Town and must be allocated and remitted monthly to the appropriate government agencies with an applicable report.

Objective

The objective of our audit was to review the Board's oversight of Town assets and the Clerk's operations. Our audit addressed the following related question:

- Has the Board provided adequate oversight to safeguard Town assets?

Scope and Methodology

We examined the Board's oversight of Town assets and the Clerk's operations for the period January 1, 2012 through February 28, 2014. We extended our scope for scrap metal proceeds used as a gift of public funds for the period from January 1, 2009 through December 31, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

Board Oversight

The Board is responsible for overseeing the Town's assets and ensuring that adequate internal controls are in place to safeguard these assets. The Board can fulfill this responsibility, in part, by establishing and enforcing policies and procedures required by law and sound business practice for financial operations and information technology (IT). The Supervisor is responsible for the Town's day-to-day financial activities and may assign these duties to an appointed bookkeeper. The Board has additional oversight responsibilities by auditing the Supervisor's and Clerk's records on an annual basis. The Board has a responsibility to plan for the future by developing and adopting comprehensive, multiyear financial and capital plans. In addition, the Board must take an active role in ensuring that written contracts are current and contain clearly defined provisions to safeguard Town assets, as well as ensuring that provisions are properly enforced. Finally, the Board must only act within its authority when disbursing Town assets.

The Board has not provided adequate oversight to safeguard Town assets. We found that the Board has not adopted adequate policies to ensure Town resources are protected. Additionally, the financial duties in the Supervisor's office were incompatible because they were completed by the Supervisor's bookkeeper, who was also the Clerk. The Board also has not annually audited, or contracted for audits of, the Clerk's or the Supervisor's records as required. Further, the Board has not adopted comprehensive, multiyear financial and capital plans. The Board did not ensure that the Town had valid, comprehensive written contracts for fire protection and emergency medical services or that the shared services contract was kept current to reflect changes in the arrangement. The Board also has not deliberately and thoroughly monitored adherence to the provisions in these contracts. The Board also acted outside its authority when it provided the Highway Superintendent with bonuses totaling \$1,200 for services already rendered. Town officials did not maintain controls over scrap metal and did not record \$8,913 in revenues from its sale. The Board inappropriately allowed the Highway Superintendent to use approximately \$6,000 in proceeds from the sale of the Town's scrap metal to fund Christmas parties over the years. Town officials could not account for the remaining \$2,900 in estimated scrap metal proceeds, which increases the risk that these funds could have been used for non-Town purposes.

Policies and Procedures

General Municipal Law (GML) requires the Board to adopt written policies for investments and procurements and to adopt a code of ethics. The Board should also develop written policies for all finance

related areas including cash receipts and disbursements, claims processing, payroll, maintenance of leave records, credit cards, cell phones and IT. Town officials are responsible for developing written procedures to implement the policies adopted by the Board.

We found that the Board has not adopted adequate policies to ensure Town assets are safeguarded. The Board and Town officials have not adopted an employee handbook or any other written policies and procedures beyond an outdated procurement policy and code of ethics. The Board and Town officials have not adopted policies and procedures for investments, cash receipts and disbursements, claims processing, payroll, maintenance of leave records and IT to define responsibilities and provide guidelines to officials and employees. Without implementation and enforcement of adequate policies and procedures, the Board cannot ensure that resources are properly safeguarded and used only for necessary and authorized Town purposes.

Supervisor's Office – Incompatible Duties

The Supervisor is responsible for the Town's day-to-day financial activities. To safeguard cash, financial duties must be segregated so that no individual controls most or all phases of a transaction. Where it may not be practical to segregate these key duties, the Supervisor must implement compensating controls. When the Supervisor assigns these duties to an appointed bookkeeper, the Supervisor is responsible for ensuring that no issues of incompatibility¹ exist regarding his choice of bookkeeper and for providing adequate oversight over the duties performed by his bookkeeper.

The Board appointed the Clerk to act as the Supervisor's bookkeeper; however, the Clerk's duties are incompatible with the Supervisor's bookkeeper's duties. Appointing the Clerk as the Supervisor's bookkeeper circumvents legally established controls between the Clerk's and the Supervisor's duties.² The Clerk, while acting as the Supervisor's bookkeeper, performs all aspects of the non-payroll disbursements process. She compiles the claims vouchers and presents them, along with an unaudited abstract, to the Board each month for audit and approval. Once approved, as Clerk, she authorizes and directs the Supervisor (and therefore essentially herself) to pay the claims. As the bookkeeper, she prepares all payroll and non-payroll disbursement checks, enters them into the accounting records, and records all receipts. She also makes all bank transfers, prepares the bank reconciliations, and generates all of the Supervisor's reports to the Board. She performs all of these duties with little to no oversight.

¹ In the absence of constitutional or statutory prohibition against dual office holding, one person may hold two offices simultaneously unless they are incompatible.

² Attorney General Opinion 89-66

While the Supervisor manually signs all non-payroll disbursement checks and receives the bank statements with canceled checks, he does not verify that these disbursements were approved by the Board. Moreover, the Board does not audit the Supervisor's or Clerk's records.

When all of these duties are performed by one individual, there is a significant risk that errors and irregularities could occur and go undetected. As a result of the incompatible duties, we reviewed the financial operations of the Supervisor's and Clerk's offices to ensure that all receipts and disbursements were accurately recorded and reported. We reviewed four receipts totaling \$22,283 and 12 disbursements totaling \$17,424 that were recorded by the Clerk (as the Supervisor's bookkeeper) during the month of November 2013. In addition, we reviewed all of the 2013 Clerk's receipts totaling \$12,714 and 40 disbursements from the Clerk's account totaling \$12,687. We found that cash receipts and disbursements for both the Supervisor and Clerk were properly recorded and reported.

Annual Audit

Town Law requires the Board, by January 20th of each year, to conduct or obtain an annual audit of the records and reports of any Town officer or employee who received or disbursed moneys on behalf of the Town in the preceding year. The purpose of this annual accounting is to provide assurance that public moneys are handled properly (i.e., deposited in a timely manner, accurately recorded and accounted for), to identify conditions that need improvement, and to provide oversight of the Town's financial operations. An effective annual accounting also 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. An annual audit is especially important when there is a limited segregation of duties.

With the exception of the Town Justice, the Board did not audit, or contract for an annual audit of, the financial books and records of all officers and employees who received or disbursed moneys on behalf of the Town during the year. Specifically, the Board did not audit, or cause to be audited, the records of the Supervisor, Clerk or Tax Collector. The Board's failure to properly examine the Supervisor's and Clerk's records hinders its ability to maintain accountability over the Town's financial operations and develop safeguards to protect Town assets from loss, waste or abuse. Without an annual audit, the Board is at risk of failing to detect and correct errors, irregularities or fraudulent activity in a timely manner.

Furthermore, we noted that, in the event of one of these occurrences, Town employees are not sufficiently bonded. The Town has blanket

insurance coverage of \$5,000 for all employees, with additional coverage of \$25,000 for the Supervisor and \$185,000 for the Tax Collector. However, both the Supervisor and Clerk have access to the general and highway fund bank accounts, which had balances of as much as \$379,000 and \$919,000, respectively, in 2013. Therefore, their bonding coverage is not sufficient to cover the funds these individuals have access to. This could result in the Town not being able to recover all of the lost funds in the event that errors or misappropriations were to occur.

Long-Term Planning

An important Board oversight responsibility is to plan for the future by setting adequate long-term priorities and goals. To address this responsibility, it is important to develop comprehensive, multiyear financial and capital plans to estimate the future costs of ongoing services and future capital needs. Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period. Planning on a multiyear basis allows Town officials to identify developing revenue and expenditure trends and set long-term priorities and goals. It also allows them to assess the impact and merits of alternative approaches to financial issues, such as accumulating money in reserve funds and the use of available fund balance to finance operations. It is essential that any long-term financial plans are monitored and updated on an ongoing basis to ensure that decisions are guided by the most accurate information available.

The Board has not formally developed or adopted a comprehensive, multiyear financial and capital plan, and it did not have any other mechanism in place to adequately address the Town's long-term operational and capital needs. Town officials told us that they were saving up for a new highway building in the future but had not earmarked this money. Our review of the Town's records confirmed that the highway fund had enough fund balance at the end of fiscal year 2012 to cover 71.6 percent of its estimated 2013 expenditures and did not have any legally established reserves. A comprehensive, multiyear financial and capital plan would be a useful tool for the Board to address the large fund balance by aiding in the establishment of reserves and formally laying out its plans for the new highway building. Accumulating excess funds without formally establishing reserves to restrict their use causes a lack of transparency, does not allow for taxpayer input, and allows subsequent administrations to use the fund balance for purposes other than what this and previous Boards intended.

Fire Protection and Emergency Medical Services Contracts

As stewards of public funds, the Board is responsible for making decisions that are in the best interests of the Town and the taxpayers it serves. This responsibility requires the Board to exercise due

diligence when considering significant financial commitments such as contracts for services. Accordingly, the Board must balance the level of services desired and expected by Town residents with the ability and willingness of the residents to pay for such services. When a municipality contracts with providers for fire protection and emergency medical services, it is the Board's responsibility to ensure that the amount of funding to be paid to the service providers is fiscally responsible to the taxpayers and a defined sum as legally required. An important part of this process is the review of each provider's annual budget, as well as financial records and reports, to ensure that only the necessary amount of real property taxes will be raised to fund these services.

The Town contracts for fire protection services from the South Dansville Fire Company, the Village of Dansville, the Village of Canaseraga and the Wayland Joint Fire District.³ The Town also has two related emergency medical services contracts with the Village of Dansville and the Village of Canaseraga. In total, the Town paid \$49,700 for these services in 2013.

None of the Town's six fire protection and emergency medical services contracts contained provisions for Town officials to review the service provider's financial records. In addition, the Board approved \$22,075 in payments to three of the four providers prior to obtaining finalized, signed contracts. Another payment for \$3,200 was paid to the Village of Dansville for rescue services when called out with the emergency medical services; however, neither contract with the Village of Dansville provided for this payment. The Town's emergency medical services contract with the Village of Dansville stipulated that the Town would allow the Village of Dansville to bill the individual customers for services provided.

By not ensuring that the Town had valid contracts with provisions for reviewing the service providers' budgets and financial statements, the Board could not obtain the information it needed to determine appropriate levels of Town funding and to negotiate contracts accordingly. In addition, by approving payments to these providers prior to obtaining finalized, signed contracts, the Board put the Town at risk of paying for non-negotiated services. As a result, the Board has not fulfilled its responsibility to exercise due diligence when considering these significant financial commitments.

Shared Services Contracts

It is essential for the Town to provide necessary services in a cost-effective manner by actively seeking opportunities to cut costs. Such opportunities include the pursuit of inter-municipal cooperation, also known as shared services. Shared services agreements provide

³ This contract covers both fire protection and emergency medical services.

opportunities for future savings or cost avoidance. Ideally, the cost of shared services should be less than the cost of each municipality performing the same tasks independently. Shared services should be beneficial for all participating municipalities. When municipalities agree to share services, GML requires the governing body of each participant to enter into a contract. The rights and responsibilities of each party to the agreement and appropriate procedures – defined in a written contract – will help ensure the long-term success of shared services. The Board is then responsible for ensuring that the contracts are kept current to reflect changes in the arrangements between the participating municipalities, as well as deliberately and thoroughly monitoring adherence to the provisions in these shared services contracts.

The Town of Dansville participates in shared services with the Towns of Fremont, Cohocton and Wayland. Town officials provided us with their copy of the most recent contract dated January 2004. According to the letter attached to the contract, the Town of Dansville is currently the Lead Town. The contract stipulates that the Lead Town shall be designated by resolution of the Towns. Other key provisions of the contract include:

- Each Town annually must pay \$5,000 or a sum to bring the fund up to \$20,000.
- If the fund becomes too low, the Lead Town must determine the amount needed and notify the other Towns. The Lead Town must provide supporting documentation with its request.
- Equipment listed on Appendix A to be shared included a 1999 crusher, a 2002 screener, a 1997 dozer and a 2001 loader.

The Board did not ensure that the shared services contract was kept current to reflect changes in the arrangement between the four Towns. According to Town officials, the Town of Dansville is no longer the Lead Town, as this role is currently performed by the Town of Cohocton. In addition, the Town received a grant in 2007 to purchase a new loader to be used for the shared services arrangement, but the equipment listed on Appendix A has not been updated to include this new piece of equipment. Also, the Board approved a \$325 payment to the Town of Cohocton (as the Lead Town) in June 2013 for a shared brine permit;⁴ however, the contract has not been amended to address the acquisition and sharing of a brine permit.

⁴ A brine permit allows the Towns to spray a salt solution on roads in dry seasons to reduce dust.

The Board also did not deliberately and thoroughly monitor adherence to the provisions in the contract. The Board approved a \$1,000 payment to the Lead Town in June 2013 based on the Highway Superintendent's verbal recommendation made at the Board meeting, as he noted that the fund was getting low. This is not a proper payment because the Lead Town did not submit any supporting documentation with a request to the Town as stipulated in the contract.

The Board's failure to ensure the shared services contract was kept current, and to deliberately and thoroughly monitor adherence to the provisions in the contract, increases the risk that unauthorized disbursements for inappropriate purposes could be made and not detected. In addition, the Board cannot be sure that the Town is providing necessary services in a cost-effective manner, that these costs are less than the cost of the Town performing the same tasks independently, and that the shared services are beneficial.

Highway Superintendent's Bonus

Elected officers, such as the Highway Superintendent, cannot be compensated in excess of the amount specified in the notice of the hearing on the preliminary budget.⁵ Since 2011, the Highway Superintendent has received \$1,200 more in compensation than allowed.

All full-time and seasonal employees in the Highway Department, not including the Highway Superintendent, are covered by the collective bargaining agreement (CBA), which was in effect from January 1, 2011 through December 31, 2013. Per the CBA, Highway employees are eligible to receive a \$500 performance bonus at the discretion of the Board. The Board has approved the payment of bonuses in 2011, 2012 and 2013 to all Highway employees including the Highway Superintendent. These bonuses resulted in the Highway Superintendent's salary exceeding the amount published in the notice of the hearing in each year by a total of \$1,200.⁶

Use of Scrap Metal Revenues

The Board must only act within its authority when disbursing Town resources. It does not have the authority to allow Town employees to use the proceeds from the sale of Town assets, such as scrap metal, to be used to fund celebrations. Scrap metal needs to be accumulated, controlled and — when a sufficient quantity has been collected — sold, with the proceeds deposited and recorded as Town revenue.

⁵ However, the annual salary of an elected officer may be increased, not more than one fiscal year, in excess of the amount specified in the notice of hearing on the preliminary budget by a local law adopted pursuant to the Municipal Home Rule Law.

⁶ The Board minutes in January 2012 set the Highway Superintendent's salary at \$300 less than the budget hearing notice. The Supervisor and Clerk informed us that the budget hearing notice contained a typographical error.

Town officials must institute both physical and financial controls over scrap metal acquired during Highway Department operations because this material has value as a commodity and there is a ready market for it. Highway Department officials must provide physical controls that maintain intact inventories of scrap metal until the material is sold. The Board provides financial controls by monitoring the budget, including revenues obtained from the sale of scrap metal.

Town officials did not maintain controls over scrap metal. Specifically, Town officials did not maintain a physical inventory of how much scrap was on hand and how much scrap was sold. Further, Town officials did not record moneys received for scrap sales – which totaled \$8,913 from fiscal years 2009 through 2013 (Figure 1) – as Town revenues and did not record expenditures of the scrap proceeds as Town expenditures. Because Town officials did not maintain control over scrap metal and proceeds from its sale, the risk is increased that it could be sold and the proceeds used for non-Town purposes.

In each of the fiscal years 2009 through 2013, the Board authorized the Highway Superintendent to use money from the sale of Town scrap metal for a Christmas party for employees, vendors and residents. Although the Town may spend a reasonable amount to provide refreshments for residents at official Town functions, there is no authority to expend Town funds on a holiday party for employees, vendors and residents that may know about the function.

Figure 1: Scrap Sales by Year

2009	2010	2011	2012	2013	Total	Average
\$1,039	\$1,901	\$2,037	\$818	\$3,118	\$8,913	\$1,783

Town officials estimated that the expenses related to these parties were between \$1,000 and \$1,200 annually, or an approximate total of \$6,000 for all five years. Party expenses were significantly lower than scrap metal sale revenues, which averaged \$1,783 per year, or a total of \$8,913 from 2009 through 2013. Town officials were unable to account for the estimated remaining \$2,900 in scrap metal proceeds. By circumventing the normal controls for receiving and disbursing Town funds, there is an increased risk that moneys could be diverted for personal use.

Recommendations

The Board should:

1. Adopt adequate written policies and procedures establishing a framework for an effective system of internal controls;
2. Ensure that the incompatible duties of the Town Clerk and Supervisor’s bookkeeper are not performed by the same individual;

3. Annually audit or contract for an audit of the books and records of all departments that receive and disburse Town funds;
4. Review its employee bonding and increase it to adequately safeguard the Town from employee theft;
5. Develop and adopt a comprehensive multiyear financial and capital plan to establish the goals and objectives for funding long-term operating and capital needs. The plan should be monitored and updated on an ongoing basis;
6. Ensure that all future fire protection and emergency medical service contracts are approved prior to making payments, and contain provisions allowing the Board to review the provider's budgets and financial records and reports;
7. Regularly review the shared services contract and ensure that its terms are updated to accurately reflect the current situation;
8. Cease the practice of granting bonuses to individuals not entitled under a collective bargaining agreement;
9. Ensure all scrap is adequately secured and sales proceeds are properly recorded and accounted for as Town revenues; and
10. Cease expending Town funds for holiday parties for employees, vendors and Town residents.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF DANSVILLE, STEUBEN COUNTY
1487 Day Road
Arkport, New York 14807
Phone: 607/295-7223
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Established
1796

August 26, 2014

Town Supervisor
Michael Willis

Council
Robert m. Mahany
Daniel Hartwell
Eugene Jackson
Kenneth A. Rauber

**Town Clerk &
Tax Collector**
Nancy L. Moir

Town Justice
Ellen J. Gendreau

Highway Supt.
Ray W. Acomb

Assessor
Laura Smalt

Code Enforcement
Shawn T. Grasby

Planning Board
Michael Hoag, Chm.
Mark Recktenwald
James Wellington
Cheryl Coombes
Bryan Acomb

**Dog Control Officer
Constable**
Bruce E. Lackey

Attorney
John W. Vogel, Esq.

Edward B. Grant, Jr.
Chief Examiner
Office of the State Comptroller
16 West Main Street, Suite 522
Rochester, New York 14614-1608

RE: Town of Dansville, Steuben County

Dear Mr. Grant:

I am writing this letter in reference to the draft Report of Examination of the Town of Dansville for the period of January 1, 2012, to February 28, 2014.

The Town has a population of approximately 1,800 people and is very rural in nature. It is not comparable to, for example, the Town of Greece in Monroe County. The Town's financial practices were long in place before the current administration, and many things were done simply because that was the way they always were done. There is a saying that "if it ain't broke, don't fix it." The Town Board was not aware of any problems and felt that the Town's manner of financial management was working fine. It is good that your office conducted the audit, because it allowed an objective third party with expertise in the area to review the Town's policies and procedures. The Board does intend to come up with a plan to address the issues raised in the report and to cooperate fully with your office. For some of the items, it might be necessary for the Town to hire an outside person or company with expertise to address the issues. If the Comptroller's Office has any materials that would assist the Town, we would like to have access to such materials.

We appreciate the time and work that your office put into reviewing our records and preparing the audit report.

Thank you very much.

Very truly yours,

Michael Willis, Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by the Board to safeguard Town assets. To accomplish this, we performed an initial assessment of internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: oversight, financial records, the Town Clerk's operations, tax collection, payroll, Justice Court operations and information technology.

During the initial assessment, we interviewed Town officials, performed limited tests of transactions, and reviewed pertinent documents such as Board minutes and financial records. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated these weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected the Board's provision of oversight and the Town Clerk's operations for further audit.

To accomplish our audit objectives and obtain relevant audit evidence, our procedures included the following:

- We evaluated the Town's policies and procedures.
- We inquired with Town officials about the:
 - o Board's performance of an annual audit;
 - o Budget process;
 - o Town's long term plans;
 - o Claims audit process;
 - o Board's financial monitoring process;
 - o Board's handling of fire protection and emergency medical services contracts;
 - o Board's handling of the shared services contract;
 - o Board's handling of scrap materials;
 - o Board's handling of payroll and bonuses;
 - o Clerk's receipts process; and
 - o Internal controls in place for the Clerk's processes.
- We tested a random sample of 25 claims from 2013, which we selected using an a spreadsheet macro, for:
 - o Accurately tracing to the abstract of audited claims;
 - o Appropriate signatures of the Board and department heads;
 - o A signed receipt of goods, if applicable; and
 - o Adequate supporting documentation.

- We reviewed the Town's 2012 annual update document and tested it to determine whether it was accurate, complete, and properly supported by the financial records.
- We reviewed the Town's fire protection and shared services contracts, and tested related payments for reasonableness and support.
- We reviewed the Town's scrap sales receipts from January 1, 2008 through December 31, 2013.
- We reviewed the 2013 W-2s prepared for Town employees and traced the gross wages to Board approved salaries. We also specifically traced the Highway Superintendent's W-2s for 2011 and 2012 based on the Board's providing him bonuses per the highway employees' collective bargaining agreement.
- We performed a cash count of the Clerk's office.
- We tested the fees collected by the Clerk to Board, State and County approved fee schedules.
- We evaluated receipts issued by the Clerk for adequacy.
- We evaluated the accounting records maintained by the Clerk for sufficient detail.
- We tested the Clerk's reports to supporting reports, logs, records and receipts.
- We tested the Clerk's deposits for timeliness, completion and accuracy.
- We evaluated the Clerk's bank reconciliations and performed our own reconciliations.
- We tested the Clerk's disbursements for propriety based on collections.

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

APPENDIX C

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