



Town of Perrysburg

Supervisor's Fiscal Responsibilities

Report of Examination

Period Covered:

January 1, 2013 — March 21, 2014

2014M-169



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	3
Comments of Local Officials and Corrective Action	3
SUPERVISOR'S FISCAL RESPONSIBILITIES	4
Oversight	4
Claim Payments	5
Banking	6
Board Oversight	7
Recommendations	8
APPENDIX A Response From Local Officials	9
APPENDIX B Audit Methodology and Standards	12
APPENDIX C How to Obtain Additional Copies of the Report	14
APPENDIX D Local Regional Office Listing	15

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 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 Perrysburg, entitled Supervisor's Fiscal Responsibilities. 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 New York State 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*

Introduction

Background

The Town of Perrysburg (Town) is located in Cattaraugus County and has a population of 1,626. The Town Board (Board) comprises five members and is the legislative body responsible for the general management and control of the Town's financial and operational affairs. The Town provides various services to its residents, including street maintenance and improvement, water, lighting and general government support. The Town's operating expenditures for 2013 were approximately \$2.1 million and were primarily funded with revenues from real property taxes, sales tax, State aid, water rents and other miscellaneous fines, fees and charges.

The Town Supervisor (Supervisor) is the Town's chief executive and chief fiscal officer. The Supervisor, who is a member of the Board, has the overall responsibility for receiving Town moneys, maintaining the accounting records and preparing and providing financial reports to the Board. The Supervisor appointed a bookkeeper¹ to assist him with these responsibilities. The former and current bookkeepers' duties included maintaining the accounting records and preparing bank reconciliations and monthly financial reports for the Supervisor. The current bookkeeper processes the Town's payroll. The Town has contracted with an accounting firm² to compile and remit its annual financial report.

An elected Town Clerk (Clerk) is responsible for collecting cash receipts for fees associated with the Clerk's office, such as moneys for conservation, dog and marriage licenses, birth and death certificates and certified copies. In addition, the Clerk is responsible for collecting Town fees and user charges and serves as the Town's Tax Collector. During 2013, the Clerk collected \$7,883 in fees, \$125,400 in water user charges, \$60,931 in sewer user charges, \$6,559 in garbage fees and \$628,672 in Town tax collections.

Objective

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

- Did the Supervisor have adequate control of his financial records and adequately perform his duties as chief fiscal officer?

¹ The former bookkeeper retired effective December 31, 2013. The Board contracted with an accounting firm to perform the Supervisor's bookkeeping function beginning January 1, 2014.

² This is a different firm from the one that handles the bookkeeping function.

**Scope and
Methodology**

We examined the Supervisor’s financial records and reports for the period January 1, 2013 through March 21, 2014.

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 B of this report.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they plan 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 New York State 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 to make this plan available for public review in the Clerk’s office.

Supervisor's Fiscal Responsibilities

The Supervisor serves as the Town's chief fiscal officer and is responsible for collecting, receiving and maintaining custody of all Town moneys collected through the Supervisor's office, paying all claims listed on any abstract certified by the Clerk and paying Board-authorized payroll-related expenditures. Adequate and timely accounting records provide the Supervisor and Board with information needed to evaluate the Town's financial activities and financial condition and manage Town operations.

The Clerk and a bookkeeper perform virtually all of the Supervisor's financial duties with little oversight. The Clerk and Supervisor have functions that serve as checks against one another that do not exist unless they are performed by separate individuals. By allowing the Clerk to perform the duties of both offices and by not properly monitoring the work of the bookkeeper, the Supervisor has weakened internal controls, creating an increased risk that moneys could be misappropriated and improper transactions concealed. Due to this lack of oversight and controls, the Town did not have receipts or source documents for \$876,028 in deposits, and it disbursed \$126,536 in payments without Board approval. In addition, the Clerk had sole online banking access to as much as \$1.3 million. Further, the Supervisor did not submit financial reports to the Board, and the Board did not perform an annual audit of the Supervisor's records and reports, as required by law.

Oversight

The Supervisor is responsible for collecting and receiving all Town moneys collected through the Supervisor's office and ensuring that financial records and reports are complete, accurate and up-to-date. The Supervisor must provide sufficient oversight over individuals to whom he assigns his financial duties. When collecting cash, the Supervisor and Clerk are required to issue duplicate receipts³ to payees and record the form of payment (i.e., cash or check) for every transaction where no other evidence of receipt is available. In addition, the Supervisor must maintain a cash book that chronologically itemizes all receipts and disbursements to document the date and form of receipts collected and disbursed. The Supervisor must be aware of and carry out the required duties of his elected position.

The Supervisor does not adequately monitor those individuals handling his financial duties. The bookkeeper maintains the Supervisor's accounting records, prepares bank reconciliations and is

³ One copy is given to the person remitting payment and the other is retained by the Town.

responsible for preparing the Supervisor's monthly financial reports, all with little or no oversight by the Supervisor. The Supervisor did not review payroll registers and certifications, bank reconciliations or other reports performed by the bookkeeper, and he did not have control over the Town's online banking.⁴ This occurred because the Supervisor did not realize it was his responsibility to do so. Because the Supervisor did not monitor the bookkeeper's activities, he would not be able to detect and correct any errors that had occurred.

The Clerk also performs many of the Supervisor's financial duties without any review or oversight by the Supervisor, which causes an incompatibility with her duties as the Town Clerk. The Clerk collects and deposits receipts on behalf of the Supervisor, including her own monthly report and remittance to the Supervisor. However, she does not issue duplicate press-numbered receipts to payees or maintain a cash book⁵ or other chronological record of moneys received on behalf of the Supervisor to document the form and date of the receipts collected. She also prepares and mails checks. Because the Supervisor did not monitor the Clerk's work that she performs on his behalf, he would not be able to detect and correct any errors that had occurred.

The Supervisor's office collected receipts totaling \$2,268,739 during our audit period. We reviewed 109 receipts⁶ totaling \$2,086,661 and found that the Supervisor, and the Clerk on the behalf of the Supervisor, did not issue duplicate press-numbered receipts and did not maintain source documents for 18 receipts totaling \$876,028. All of the tested receipts were recorded in the Town's accounting records. However without supporting documentation, the Town cannot be certain of the source of the receipts or whether they are recorded in the proper revenue accounts.

Claim Payments

Town Law requires the Supervisor to pay claims only after receiving an abstract of audited claims from the Clerk containing a sequential list of claims, the amounts to be paid and the signature of the Clerk certifying that the Board has audited and approved the claims. The Supervisor should ensure that all disbursements are properly audited and approved for payment by the Board before he signs the checks.

We found that the Clerk did not routinely retain Board-approved abstracts of audited claims and the Board minutes did not contain adequate documentation to indicate that the claims had been audited.

⁴ Refer to the Banking section for further information.

⁵ The Clerk maintains a cash book for receipts she receives as the Town Clerk, but not for the Supervisor. The bookkeeper maintains a cash book for receipts received for the Supervisor. However, the Clerk does not ensure that receipts that she collects on the Supervisor's behalf are recorded in the cash book that the bookkeeper maintains.

⁶ Refer to Appendix B for further information on our sample selection.

Typically, the Clerk presented the Supervisor with abstracts that were incomplete or unsigned. According to the Supervisor and Clerk, the Board members signed the abstracts of unaudited claims to document that they had audited the claims listed on the abstracts. However, we reviewed all 14 abstracts generated during our audit period, with claims totaling approximately \$1.9 million, and found that the entire Board had signed only two, with claims totaling \$251,687.

Also, while a resolution approving the payment of “all properly audited bills” was included in the minutes, these resolutions were not properly adopted or complete. There were no motions made to approve the audit of claims and no roll call vote completed to evidence the Board’s approval of the audit. Also, the integrity of the voucher number sequence was not intact. For example, in June 2013, voucher numbers 1 through 51 in the amount of \$55,120 were approved to be paid. Then, in July 2013, voucher numbers 1 through 39 in the amount of \$157,654 were approved to be paid. For the voucher numbers to be properly in sequence, the voucher numbers for July 2013 should have been 52 through 90. Because the vouchers were not kept in sequence, the Board cannot trace the vouchers through the system or ensure that the vouchers they are approving are unique, increasing the risk that Town funds could be misused or misappropriated.

We reviewed 51 claims⁷ totaling \$130,604 and found that 47 claims totaling \$126,536 were listed on abstracts that were not approved by the Board. We reviewed the supporting documentation for these claims and found that they appeared to be legitimate Town expenditures.

Because the Board did not ensure that the Clerk provided the Supervisor with Board-approved abstracts and claims were not properly sequenced and approved in the Board minutes, the Town has an increased risk that the Clerk could prepare checks for unauthorized claims and the Supervisor would sign the checks.

Banking

The Supervisor is responsible for ensuring that all moneys received or held by the Town are properly safeguarded. This can be accomplished, in part, by depositing Town receipts into banking institutions permitted by law, performing bank reconciliations comparing cash balances between bank accounts and the Town’s ledger and ensuring that bank transfers are properly supported, reviewed and approved for accuracy and legitimacy.

The Town has three bank accounts, including two checking accounts used for payroll and non-payroll disbursements, and a savings account. The Clerk is the sole administrator for online banking for these Town accounts and is the only Town official who uses the

⁷ Refer to Appendix B for further information on our sample selection.

online banking capability and performs online bank transfers. The Town has an online banking agreement with only one of its banks. The Clerk told us that the Town set up online banking to have direct deposit capabilities for payroll. She also said that two other Board members have been given the location of the user name and password information for the accounts. She stated that the Supervisor does not know where this information is and that he has never accessed the online banking capabilities.

We reviewed the December 2013 bank reconciliations of cash balances totaling approximately \$1.3 million and found that the Supervisor did not review these reconciliations. We also reviewed all 18 bank transfers completed by the Clerk in 2013, totaling approximately \$2.2 million, and found that the Supervisor did not approve eight bank transfers totaling \$203,580. Of these, four totaling \$7,544 were transferred to a bank account that was not a Town account. We reviewed supporting documentation for the transfers and determined they appeared to be for legitimate Town purposes.

The Supervisor's failure to oversee the Town's bank reconciliations and online banking activities increases the Town's risk that errors and irregularities could occur and remain undetected and uncorrected.

Board Oversight

It is important for the Supervisor to maintain accurate and complete financial reports so that the Board can determine the financial condition of Town funds at any point in time and make informed financial decisions. Town Law requires that the Supervisor submit a monthly report of the Town's financial activity to the Board for review. Town Law also requires the Board to annually audit, or contract with an independent auditor to annually audit, the Supervisor's records and reports. An annual audit helps the Board fulfill its fiscal oversight responsibilities by providing it with an opportunity to assess the reliability of the Town's books, records and supporting documents.

While the bookkeeper prepares a bank reconciliation, which serves as the monthly report to the Board, the Supervisor does not provide the Board with other financial information as required by law. The bank reconciliation/monthly report does not include details on the amount or source of cash received or disbursed during the month. Furthermore, the Supervisor did not provide any monthly reports to the Board during our audit period. Additionally, while not required by law, the Supervisor should periodically submit a budget status report to the Board, so it can monitor the Town's financial activity. We also found that the Board did not audit the Supervisor's books and records.

The Board's failure to ensure that the Supervisor provided it with the required monthly reports and to perform required annual audits of the

Supervisor's books and records diminishes its ability to effectively monitor the Supervisor's performance of his duties and the Town's financial operations. Because the Board does not fulfill these responsibilities, the Town could experience a fiscal downturn without the Board being aware of it, and the Supervisor's records could have errors or irregularities that could remain undetected and uncorrected.

Recommendations

The Supervisor should do the following:

1. Attend training to familiarize himself with the requirements of his duly elected duties.
2. Ensure that, if any individuals perform his financial duties, it will not result in an incompatibility of office, such as with the Town Clerk.
3. Ensure that he is the only individual who has the ability to disburse Town funds and should remove the Clerk's access to online banking.
4. Properly monitor the individuals performing his financial duties and ensure that his accounting records are accurately maintained in a timely manner.

The Board should do the following:

5. Ensure that the Clerk prepares and provides the Supervisor with complete, accurate and signed abstracts of audited claims.
6. Require the Supervisor to provide it with monthly financial reports that include cash receipts and disbursements for the month and cash balances at month end. It may also request that the Supervisor provide summarized budget-to-actual data for all funds.
7. Annually audit, or retain an independent auditor to audit, the Supervisor's books and records.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF PERRYSBURG

P.O. Box 250
Perrysburg, NY 14129
PHONE & FAX 716-532-4090
NYS Relay 800-662-1220
Townofperrysburg@roadrunner.com

Dennis Stopen, Supervisor

Richard Gabel, Councilman
Mary Denea, Councilwoman
Daniel Stang, Highway Superintendent

Lynn Varney, Councilman
Mary Jane Stuhr, Councilwoman
Tamara A. Utley, Town Clerk

September 19, 2014

Office of the State Comptroller
Robert Meller, Chief Examiner
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

RE: Town of Perrysburg 2014M-169

Dear Mr. Meller:

This letter is in response to the Draft Report of Examination for the Period Covered January 1, 2013 - March 21, 2014.

Thank you for conducting the audit of the Town of Perrysburg. Many of the fiscal practices were in place simply because they were done that way at the time I was elected Supervisor. The Town Clerk retired in August of 2012 and a new Clerk appointed by the Town Board. The bookkeeper retired in December of 2013 and the Board hired a CPA firm to perform the bookkeeper and payroll duties in January of 2014.

Because of the trustworthiness of the bookkeeper and the Town Clerk, I allowed them to perform many of the fiscal duties that I should have been doing and did not oversee many of the fiscal duties that they performed on my behalf because I was unaware of those fiscal responsibilities. Bank transfers were completed at the request of the bookkeeper and performed by the Town Clerk - I did approve the transfers via phone call with the Clerk but did not sign the form until after the transfer was completed. The Town Clerk was removed from the online banking before the audit was completed. The abstract that the Town Clerk prepares each month is read aloud at every Board meeting and voted on. Using a template for the meeting minutes, the motions were inadvertently eliminated from the template and that has now been corrected along with the sequential numbering of the vouchers.

The Town of Perrysburg is an equal opportunity provider and employer
We are a handicapped accessible facility.

TOWN OF PERRYSBURG

P.O. Box 250

Perrysburg, NY 14129

PHONE & FAX 716-532-4090

NYS Relay 800-662-1220

Townofperrysburg@roadrunner.com

Dennis Stopen, Supervisor

Richard Gabel, Councilman

Mary Denea, Councilwoman

Daniel Stang, Highway Superintendent

Lynn Varney, Councilman

Mary Jane Stuhr, Councilwoman

Tamara A. Utley, Town Clerk

On behalf of the Town of Perrysburg, thank you for bringing these matters to our attention. The Town will submit a Corrective Action Plan to address all of your recommendations. I will attend local training sessions per your recommendation. It is important to note that there were no wrongdoings by any employee of the Town but I now realize that there were incompatibilities of office by the procedures that were in place.

Sincerely,

Dennis Stopen
Town Supervisor

The Town of Perrysburg is an equal opportunity provider and employer
We are a handicapped accessible facility.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the financial records and reports and activity of the Supervisor. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Town officials to gain an understanding of the Supervisor's duties and reviewed Board meeting minutes, policies, procedures and contracts related to the Supervisor's duties.
- We reviewed a list of Supervisor receipts and traced 109 receipts to accounting records, duplicate deposit tickets/receipts and bank statements to determine whether the Town's accounting records were accurate and deposits were made intact and in a timely manner. We judgmentally selected for testing all high-risk receipts from Town officials, such as those paid from the Town Clerk or Town Justice, and all receipts over \$5,000.
- We selected a random sample of 51 payments from the accounting records and traced them to bank statements, abstracts, claims and canceled checks. We examined these payments for appropriateness, supporting documentation and Board approval. We selected every 25th entry on the cash disbursements journals. We randomly selected these claims based on every sixth non-payroll disbursement made to a Town employee and every 25th non-payroll disbursement for all other payments.
- We traced all non-check withdrawals, bank transfers and wire transfers on the bank statements to other Town accounts or supporting documentation.
- We reviewed a judgmental sample of non-payroll canceled check images for those paid to Town employees and officials and traced them to approved claims, abstracts and the accounting records. We selected every sixth disbursement made to a Town employee.
- We reviewed canceled payroll check images for all Town employees and traced these payments to payroll registers, accounting records, time sheets, Board-approved pay rates and W-2 forms.
- We reviewed bank statements for evidence of completed bank reconciliations.
- We traced cash balances from bank statements to ledgers and to the annual financial reports submitted to our Office.
- We reviewed the Supervisor's monthly reports for accuracy and completeness and reviewed Board minutes for evidence of Board review and approval.
- We reviewed Board minutes and supporting documentation to determine if the Board annually audited the Supervisor's records.

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 C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

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

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

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

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

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313