



Town of North Collins Supervisor's Records and Reports

Report of Examination

Period Covered:

November 1, 2011 — March 20, 2015

2015M-99



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2015

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of North Collins, entitled Supervisor's Records and Reports. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the 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 North Collins (Town), which includes the Village of North Collins (Village), is located in Erie County (County) and has a population of approximately 3,500. The Town Council (Board), which is composed of four Board members and the Town Supervisor (Supervisor),¹ is the legislative body responsible for managing Town operations and for overseeing its financial activities. The Supervisor, as the chief financial officer, has the overall responsibility to receive and disburse Town money and maintain accurate accounting records.

The Supervisor appoints a bookkeeper² to assist with the daily accounting requirements. The Town hires an independent accounting firm to assist with preparing and filing the Town's annual financial report with the Board and the Office of the State Comptroller (OSC).

The Town provides various services to its residents, including road maintenance, trash and recycling pickup and general government support. The Town's budgeted appropriations for 2015 are approximately \$2.3 million and are funded primarily through sales tax, real property taxes and State aid.

Objective

The objective of our audit was to determine if the Supervisor properly accounted for and reported the Town's financial transactions. Our audit addressed the following related question:

- Did the Supervisor maintain complete and accurate accounting records and reports to allow the Board to monitor the Town's financial operations?

Scope and Methodology

We examined the Supervisor's accounting records and reports for the period of November 1, 2011 through March 20, 2015.

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

¹ There were two Supervisors in office during our audit period. The former Supervisor left office on December 31, 2011 and the current Supervisor took office on January 1, 2012.

² Both Supervisors appointed different individuals as bookkeeper. Beginning in 2015, the current Supervisor appointed an interim bookkeeper to assist when the appointed bookkeeper was not available.

**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. The Board generally agreed with our recommendations and indicated it planned to take corrective action. However, the Supervisor did not agree with our findings and recommendations. Appendix B includes our comment on the issues the Supervisor raised in her response.

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

Supervisor's Records and Reports

The Supervisor is responsible for maintaining adequate accounting records and financial documents that provide an accurate accounting of all financial transactions.³ The Supervisor should ensure that the accounting records are accurate and up-to-date, that bank reconciliations are properly completed in a timely manner and that payments are only made after a proper Board audit. In addition, the cash balances reflected in the accounting records should be compared monthly with the reconciled bank balances and any discrepancies should be promptly investigated and corrected. The Supervisor should keep the Board informed about the Town's financial operations by providing accurate and complete monthly reports containing detailed information regarding the Town's cash balances and total monthly and year-to-date revenues and expenditures. If the Supervisor assigns certain accounting duties to a bookkeeper, sufficient oversight should be provided to ensure the bookkeeper's work is accurate and reliable.

The current Supervisor did not maintain accurate and complete accounting records or ensure that the Board was provided appropriate financial reports. Additionally, the failure to correct accounting errors in a timely manner and poor accounting records have created an environment where the Board cannot effectively assess or monitor the Town's financial condition. We found the following examples of deficiencies:

- The current Supervisor made adjustments to the accounting records, including cash and fund balance accounts, during 2012 in an attempt to correct errors. As a result, improper transfers of over \$125,000 were made among Town funds.
- The current Supervisor did not record the independent auditor's adjustments of more than \$188,000 in a timely manner to correct receipts that were misclassified between the general town-wide and the highway part-town funds causing taxpayer inequity. These adjustments included a 2012 audit adjustment of approximately \$165,000 and a 2013 audit

³ Each fund is a fiscal accounting entity with a self-balancing set of accounts. The town-wide funds are the principal operating funds used to account for all town-wide operations (including the Village). The town-outside-village funds are used to account for services provided for the benefit of the residents and taxpayers residing in the area of the Town located outside of Village boundaries. During our audit period, the Town had the following eight funds: general town-wide, general town-outside-village, highway town-wide, highway town-outside-village, refuse, fire protection, trust and agency and a miscellaneous revenue fund that was closed as of December 31, 2014.

adjustment of approximately \$23,000 that was not recorded in the accounting records until February 2015.

- The current Supervisor did not maintain trust and agency fund⁴ records in 2012 or 2013. In addition, the current Supervisor did not accurately record trust and agency activity from January 1 through April 30, 2014, record any such activity after April 30, 2014 or compare the accounting records with the reconciled bank balances. As of December 31, 2014, funds held in the trust and agency bank account totaled approximately \$20,000.

As a result of these deficiencies, the accounting records did not support annual and monthly financial reports and the Board did not have appropriate information with which to properly monitor the Town's financial operations. The current Supervisor's adjustments to cash and fund balance are concerning because they could indicate that irregularities occurred. While our testing did not disclose any such instances, there remains a risk that errors and irregularities could occur and not be detected.

Annual Financial Report

The Supervisor is required to annually complete and file with OSC a detailed report of all financial activity for the preceding year. This annual financial report, known as the annual update document (AUD), provides the Board, OSC, Town residents and other interested parties with a tool to monitor and evaluate financial operations. The AUD is a summary of the Town's annual financial information, which should contain detail account balances and the financial activity for the preceding year that agrees with and is supported by the accounting records.

The current Supervisor compiled and filed the 2011 AUD using the former Supervisor's accounting records. We compared balances reported in the accounting records with the amounts reported in the Town's 2011 AUD and found that the current Supervisor had improperly adjusted cash and fund balances in the refuse, general town-outside-village and general town-wide funds. The current Supervisor was unable to provide an adequate⁵ explanation for these adjustments. It appeared she may have been attempting to make the accounting records agree with the bank balances as of December 31,

⁴ The trust and agency fund is used to account for routine payroll withholdings held by an entity in a custodial capacity until such amounts are disbursed to the appropriate individual, organization or governmental unit. The manner of disbursing payroll withholding payments varies. Certain items must be remitted immediately while other deductions are held for future transmittal and must be safeguarded until paid.

⁵ The Supervisor stated that the cash balances reported in the accounting records did not reconcile to the bank balances. Therefore, she adjusted the accounting records without investigating the cause of the discrepancies.

2011, instead of investigating and determining why the balances did not agree.

For example, the current Supervisor increased the 2012 refuse fund's beginning cash and fund balances by \$55,180 so the 2011 AUD's reported cash balances would reconcile with the year-end bank balance and the accounting records. However, we found that the cash balance in the accounting records exceeded the reconciled bank balance as of December 31, 2011 because the current Supervisor had erroneously adjusted the cash account when recording a budget adjustment.⁶ The budget adjustment was necessary because the 2011 adopted budget did not include sufficient appropriations for the final contractual payment owed to the vendor. The former Supervisor had issued checks for two contractual payments,⁷ which had not yet cleared the bank as of December 31, 2011. Although there was sufficient cash to cover these payments, one of these checks included an overpayment⁸ of \$13,750. As a result, there would not have been enough cash to cover the December 2011 monthly refuse payment of \$13,930. The current Supervisor recognized that there were insufficient appropriations and a shortage of cash but failed to investigate the cause for these discrepancies and improperly adjusted the accounting records to force them to agree to the bank balance.

Town officials hired an accounting firm (firm) to perform an audit of the current Supervisor's records for 2012 and 2013 and prepare and file the AUDs for those years. The firm was also engaged to prepare and file the 2014 AUD. The firm recommended the current Supervisor record adjusting journal entries in the accounting records to correct the improper adjustments made during 2012. However, the current Supervisor did not record the adjusting entries. As a result, the 2012 and 2013 AUDs filed by the firm did not agree with the current Supervisor's accounting records.

Adjustments to cash and fund balance are concerning because this could indicate improper disbursements were made or that all receipts were not properly collected, recorded and deposited. Because of these

⁶ The budget adjustment increased appropriations for the refuse contractual services by \$56,842 to be financed by appropriated fund balance and an interfund loan.

⁷ The outstanding checks included a \$13,930 payment to the refuse vendor for November 2011 garbage services and the final \$41,250 contractual payment to this vendor, which was due and payable at the end of the service contract expiring on December 31, 2011.

⁸ Part of the reason the refuse fund lacked cash was that in January 2008 the Town withheld payment for two months at the beginning of the refuse contract. However, at the end of the contract, in 2011, the Town made a payment for three months, which caused a one-month overpayment of \$13,750. We notified the Supervisor and she is researching this overpayment.

deficiencies, we reviewed the accounting records and monthly reports presented to the Board for six months during the audit period⁹ to determine if revenues and expenditures were accurately recorded and up-to-date. In addition, we reviewed the December 2014 accounting records to assess the accuracy and reliability of the accounting records at year-end. While our testing did not disclose any improper disbursements or misappropriated funds, the risk that this may have occurred remains, because accounting records and financial reports were not accurate or reliable.

Accounting Records and Monthly Reports

It is essential the Board ensures that the Supervisor maintains accounting records that reflect all Town financial activity and are accurate, complete and up-to-date and that reports are prepared in a timely manner so it can effectively exercise its oversight responsibility. Detailed financial reports provide essential financial information and enhance the Board's ability to oversee financial activities and monitor the Town's budget. The monthly financial reports the Supervisor submits to the Board are required to include all receipts and disbursements. To be more useful to the Board, these reports should also include a comparison of budget-to-actual results of operations.

Although the current Supervisor appointed a bookkeeper to assist with these tasks, the Supervisor is ultimately responsible for ensuring that the accounting records are accurate and complete. The bookkeeper recorded receipts in the computerized accounting system, recorded journal entries and deposited receipts at the current Supervisor's direction. The bookkeeper also prepared check disbursements (including payroll disbursements),¹⁰ initiated interbank transfers and reconciled the bank statements with the corresponding cash balances in the accounting records. The bookkeeper entered all receipts and disbursements in the accounting records (including payroll)¹¹ and made transfers between the Town's bank accounts. The bookkeeper also provided a monthly report to the Board, approved by the current Supervisor, that included year-to-date budget-to-actual totals and monthly activity totals for revenues and expenditures.

However, during 2012 these reports were inaccurate because the accounting records included the following errors:

- General town-wide fund revenues were overstated by approximately \$165,000 and highway town-outside-village fund revenues were understated this same amount. This occurred because the bookkeeper erroneously recorded sales

⁹ See Appendix C for information on our sample selection.

¹⁰ Town payroll is processed by a third-party vendor.

¹¹ The Town maintains a checking account, money market savings account, payroll checking account and health savings account.

tax revenue received from the County in January and April as State revenue sharing aid in the general town-wide fund.

- Trust and agency accounts were understated by approximately \$19,000 at year-end because no accounting records were maintained.

In November 2012, the Board approved a resolution to correct the misclassified sales tax revenue. However, neither the current Supervisor nor the bookkeeper recorded the adjusting journal entry to correct this error until February 2015, more than two years later.

In addition to the 2012 errors that were not corrected, during 2013, highway town-outside-village fund revenues were overstated by approximately \$23,000 and general town-wide fund revenues were understated by this same amount. This occurred because in September 2013 the bookkeeper erroneously recorded general town-wide State revenue sharing aid as highway town-outside-village snow removal revenues. Furthermore, the trust and agency fund remained uncorrected and understated in 2013 because no accounting records were maintained.

Revenues – In January 2012, the bookkeeper erroneously recorded a \$50,000 transfer from the Town’s general fund savings account to the general fund checking account.¹² She recorded this transfer by decreasing the cash balance of the savings account by \$50,000 and increasing miscellaneous revenue by \$49,725 and health insurance reimbursements by \$275 in the general town-wide fund. However, a transfer between two Town bank accounts does not generate revenue and should have simply been reflected as an increase in one cash account and a decrease in the other.

The Board approved a resolution in November 2012 to eliminate the \$49,725 general town-wide miscellaneous revenue and record it as sales tax revenue in the highway town-outside-village fund because the current Supervisor told the Board that the \$50,000 transfer represented sales tax revenue from the County. In October 2012, the bookkeeper recorded this entry in the accounting records as specified in the resolution.

The Town and Village both receive sales tax revenue directly from the County. Therefore, in accordance with New York State Tax Law, the Town must use the sales tax to reduce real property taxes for the

¹² As a common practice, the bookkeeper deposited large cash inflows such as State aid into the general fund savings account and then made transfers to the general fund checking account as needed to pay for payroll or other general fund expenditures.

part-town funds.¹³ Had the transfer actually represented sales tax revenue, then the Board's and current Supervisor's actions would have been appropriate. However, the \$50,000 in question merely represented a cash transfer between two town-wide general fund cash accounts and was not sales tax revenue. As a result, the Board's and current Supervisor's actions not only created an accounting error that overstated revenues by \$50,000 in the highway-outside-village fund but also created a taxpayer inequity whereby town-wide funds were transferred to a fund that benefits only a portion of the town. This error remained uncorrected in the accounting records as of the end of our audit field work.

In January 2014, \$88,594 of 2013 sales tax revenues was recorded in the highway town-outside-village fund and \$10,050 of 2013 dispatch service fees was recorded in the miscellaneous revenue fund.¹⁴ As a result, these amounts were recorded as current year revenues (2014), even though receivables were set up as of December 31, 2013 to account for these revenues. This meant that these revenues were previously recorded and recognized as revenue during 2013. Due to these errors, the current Supervisor's records overstated revenues during 2014 and indicated that all appropriate dispatch service revenues were received by the beginning of September 2014; however, the Town was still owed \$10,050 in such revenues.

Justice Court Fines and Fees – The bookkeeper did not accurately record the Town's share of 2012 and 2013 Justice Court (Court) fines and fees revenue totaling \$47,037 in a timely manner. This occurred because the bookkeeper did not record the 2012 and 2013 independent accountant's audit adjustments recognizing the Town's share of revenue in the accounting records, even though the current Supervisor received a check representing Court fines and fees collected from each of the two Town justices each month and the bookkeeper recorded these amounts in the clearing account. The Supervisor also receives a statement from the Office of the State Comptroller's Justice Court Fund (JCF) each month indicating the amount to be remitted to the State and the Town's share of revenue. These audit adjustments remained unrecorded as of January 2015.

¹³ If Town officials had eliminated the real property tax levy in the part-town funds, then the Board could choose to allocate a portion of its remaining sales tax revenues to reduce real property taxes for its town-wide funds, to reduce the County real property taxes levied in the area of the Town located outside the village or to fund additional part-town activities, or any combination of these options.

¹⁴ The miscellaneous revenue fund was used to account for financial activity pertaining to a cooperative emergency dispatch service between the Town of North Collins, the Village of North Collins, the Town of Collins and the Seneca Nation. The Town of North Collins was the lead municipality for the service, and it was disbanded at the end of 2014.

During 2014, the Town's share of Court fines and fees totaling \$22,884 (from January 1 through March 30) was not recorded as revenue in a timely manner. Further, the bookkeeper erroneously recorded Court revenues for April through July 2014 in the same amount as was remitted to the JCF totaling \$8,944, instead of the Town's share of \$31,311 a difference of \$22,367. The bookkeeper did not record an adjusting entry in the accounting record to correct these revenue errors until November 2014.

Interfund Transfers – During January 2012, the current Supervisor made several interfund advances¹⁵ totaling \$76,270 from the general town-outside-village fund to the refuse fund and the miscellaneous revenue fund¹⁶ to provide cash flow for expenditures within those funds. However, the current Supervisor could not provide adequate supporting documentation or demonstrate that the Board authorized her to make these advances.

Furthermore, the current Supervisor eliminated the interfund balances in the accounting records at year-end without repaying the general town-outside-village fund. This in effect treated the advances as permanent interfund transfers. The Board's failure to properly review and approve interfund advances, as required by law, limits the Board's ability to monitor the Town's financial affairs and its overall financial condition.

Claims – We were provided with two January 2014 abstracts that listed the audited claims to be paid.¹⁷ Claims listed on the first abstract totaled \$4,383 and were paid and recorded in the accounting records on January 14, 2014 before being presented to the Board for audit and approval. The claims listed on the second abstract totaling \$19,062¹⁸ were Board-approved for payment on February 12, 2014. Although the Board may by resolution authorize the payment in advance of audit of claims for public utility services, postage, freight and express charges, the expenditures paid prior to audit were for the current Supervisor's expenses, a concert and fire protection contract payments.¹⁹

¹⁵ General Municipal Law allows the Town to temporarily advance money from one fund to another with the Board's approval. Repayment must be made as soon as money is available but no later than the close of the fiscal year in which the advance was made.

¹⁶ These funds have the same tax bases. Therefore, transfers of available unrestricted fund balance and unanticipated revenue collections would be allowed with proper Board authorization.

¹⁷ Both abstracts were numbered and dated the same (#14, January 25, 2014).

¹⁸ The second abstract included the claims paid previously as listed on the first abstract. The difference between the two abstracts of \$14,679 was recorded in the accounting records on February 28, 2014.

¹⁹ The Board may by resolution authorize the payment in advance of the audit of claims for public utility services, postage, freight and express charges. In addition, compensation paid to officers and employees, debt and certain contracts exceeding one year can be paid without Board approval.

Payroll and Trust and Agency Fund – Payroll-related expenditures (salaries and wages) were not recorded in the accounting records in a timely manner. For example, January 2, 2014 payroll expenditures of \$20,281 were not recorded in the accounting records until April 30, 2014.

The current Supervisor did not ensure that activity was recorded in the trust and agency fund in a timely manner. The current Supervisor's accounting records did not include trust and agency fund activity until January 2014. However, trust and agency fund accounting records were still incomplete because the 2012 and 2013 activity remained unrecorded. Although monthly trust and agency fund activity was recorded for January 1 through April 30, 2014, no further activity was recorded from May 1 through December 31, 2014.

Due to the poor condition of the accounting records, we reviewed payroll calculations for 10 employees and generally²⁰ found that the employees were properly paid. However, because the trust and agency records are incomplete, there is an increased risk that errors and irregularities could occur and remain undetected.

Bank Reconciliations

The Supervisor is responsible for ensuring that the reconciled bank balances are compared with the cash balances for all Town bank accounts, as recorded in the accounting records, to help verify that all cash receipt and disbursement transactions are accurately recorded. Any differences between the reconciled bank balances and the recorded cash balances should be promptly investigated and resolved.

Upon receiving the bank statements, the bookkeeper was supposed to perform reconciliations for all Town bank accounts and provide the Board with reconciled bank balances. We found that bank reconciliations were provided to the Board for the Town's combined checking and combined savings accounts. However, the bookkeeper did not prepare bank reconciliations for the health savings checking account.

Because the current Supervisor did not report trust and agency fund activity on the monthly report and the bookkeeper did not perform reconciliations for these bank accounts, the Board did not have the necessary information to adequately monitor Town operations.

Poor accounting records created an environment where the Town's financial condition could not be effectively assessed or monitored. The numerous accounting errors and the improper accounting methods used by the Supervisor and the bookkeeper caused revenues

²⁰ The assessor/dog control officer's pay fluctuated during the year due to various errors that were resolved by year-end.

and cash balance to be misstated and the monthly reports provided to the Board to be inaccurate.

The Supervisor indicated she received training and that both she and the bookkeeper have accounting backgrounds. However, they may not have received sufficient training to fully understand the unique nature of municipal accounting. Therefore, the Supervisor and bookkeeper should continue to seek out technical assistance from experts, as needed, and obtain additional training to develop their knowledge and understanding of municipal accounting and Town operations.

Recommendations

The Supervisor should:

1. Ensure she and the bookkeeper receive appropriate training and consider using the numerous training resources available through OSC that can be accessed on our website at <http://www.osc.state.ny.us/localgov/training/index.htm>.
2. Review the publications issued by OSC, entitled, *Accounting and Reporting Manual* and *Information for Town Officials*, which can be accessed on our website at <http://www.osc.state.ny.us/localgov/pubs/publisting.htm>
3. Ensure that accounting records are kept in an accurate and complete manner and support annual and monthly financial reports. This would include recording audit adjustments in a timely manner.
4. Review and correct the improper transfer of general town-wide funds to the highway town-outside-village fund.
5. Ensure that proper bank reconciliations are prepared for each Town bank account. The reconciled bank balances should be compared with the recorded cash balances on a monthly basis and any differences identified should be promptly investigated and corrected.
6. Pay claims based on approved abstracts or prepay utility, postage, freight and express delivery charges as authorized by Board resolution.

The Board should:

7. Review the adjustments to cash and fund balances made by the Supervisor during 2012 and authorize them as interfund transfers or require the Supervisor to correct them.

8. Identify the monthly financial reports it requires and ensure the Supervisor provides them in a timely manner to help it manage Town finances and evaluate financial condition.

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

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



TOWN OF NORTH COLLINS

TOWN HALL • 10569 MAIN STREET • NORTH COLLINS, NY 14111
July 21, 2015

ROSALINE A. SEEGE
SUPERVISOR
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North Collins, New York 14111

MARGARET J. ORRANGE
TOWN CLERK / TAX COLLECTOR
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North Collins, New York 14111

DAVID J. WINTER
HIGHWAY SUPERINTENDENT
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North Collins, New York 14111

ELLEN M. MATHIS
COUNCILMAN

MICHAEL W. PERRY
COUNCILMAN

KAREN A. RICOTTA
COUNCILMAN

JOHN M. TOBIA
COUNCILMAN

Mr. Jeffrey D. Mazula
Chief Examiner of Local Government Accountability
Office of the State Comptroller
1032 Ellicott Square Building
295 Main Street
Buffalo, NY 14203

Dear Sir:

The North Collins Town Board has received its draft copy of the Report of Examination for the Period Covered November 1, 2011 – March 20, 2015 (2015M-99) from your office. The Board has taken an opportunity to review and discuss your findings.

The Town Board will be reviewing these findings and preparing a Corrective Action Plan to be submitted upon receipt of the final Audit Report. The Town Supervisor will file her own statement regarding this draft audit.

Thank you for your attention to this matter.

Sincerely,

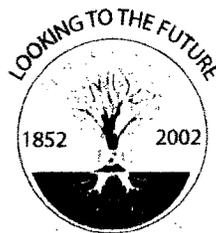
Margaret J. Orange
North Collins Town Clerk

Ellen M. Mathis/
Councilman

Michael W. Perry
Councilman

Karen A. Ricotta
Councilman

John M. Tobia
Councilman



TOWN OF NORTH COLLINS

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Councilmen:
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MICHAEL W. PERRY
KAREN A. RICOTTA
JOHN M. TOBIA

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August 10, 2015

Jeffrey D. Mazula, Chief Examiner
295 Main Street Suite 1032
Buffalo, NY 14203-2510

Re: Audit Response

Our audit covered the period of November 1, 2011, through March 20, 2015. This letter is the official response of the Supervisor.

The current Supervisor did not maintain accurate and complete accounting records or ensure that the Board was provided appropriate financial reports. Additionally, the failure to correct accounting errors in a timely manner and poor accounting records have created an environment where the Board cannot effectively assess or monitor the Town's financial condition. We found the following examples of deficiencies:

The current Supervisor made adjustments to the accounting records, including cash and balance accounts, during 2012 in an attempt to correct errors. As a result, improper transfers of over \$125,000 were made among Town funds.

Response:

It should be made clear that in this instance the errors being corrected in 2012 were for the previous Supervisor's 2011 December records.

See
Note 1
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On my assumption of duties in January, 2012, the previous Supervisor gave no transition information whatsoever. Researching what I needed to do, I called the State and was informed that I was responsible for closing out 2011 and filing an AUD report for 2011. Upon calling [REDACTED] which is our Municipal Accounting Program, I was informed that I could not create financial records for the current year (2012) until the previous year (2011) was closed. Once that year was closed, if adjustments to that year were needed, they could only be adjusted in the current year and reported as prior year's adjustments in the AUD report.

In creating the AUD report for 2011, it was discovered that 44 appropriations were declassified during the prior 20 years. As a result, we had issues balancing. The AUD was submitted unbalanced. Upon receipt, the [REDACTED] of Municipal Affairs Local Government and School Accountability, Data Management Unit called and worked with the bookkeeper to balance

the accounts. The current budget was from the prior supervisor, and we corrected the declassified accounts during the next year's budget process.

During this time we discovered that an additional adjustment of a roughly \$125,000 deficit in equity was needed for 2011. We were advised by Examiner to adjust it in 2012 as prior year's adjustment. The board was aware of the issues we were encountering; and in 2013, after much persistence, they approved a CPA firm to come in and audit 2012, including the adjustments for 2011, and file the 2012 AUD report. The board did not approve an audit of 2011. The National accounting firm felt that since the prior supervisor was in office for roughly 20 years, it would have been extremely costly to review an issue that might have been spread over 20 years.

Prior to the CPA firm coming in in 2013, we hired a municipal accountant who was referred to us by [REDACTED]. He created a spread sheet with adjustments and came up with the same \$125,000 discrepancy as we did. The CPA firm conducted their audit and created the 2012 AUD with the prior year's adjustments. The erroneous transactions were corrected at this time.

The Town Board did not approve the contract to hire the National Accounting firm until the end of 2013 to audit both 2012 and 2013's fiscal years. Due to the timing of those audits and our system not allowing us to post into prior fiscal years, any adjustments made from the two audits has to be recorded in or after the 2014 fiscal year upon completion of the audits. This also impacted the timing of the adjustments to our AUD report, and the related prior period adjustments on the AUD.

The current Supervisor did not record the independent auditor's adjustments of more than \$188,000 in a timely manner to correct receipts that were misclassified between the general town-wide and the highway part-town funds causing taxpayer inequity. These adjustments included a 2012 audit adjustment of approximately \$165,000 that was not recorded in the accounting records until February 2015 and a 2013 audit adjustment of approximately \$23,000 was not recorded as of February 10, 2015.

Response:

Any adjustments were corrected in the 2012 AUD Report submitted to the State by [REDACTED]. Please see attached note from Auditor dated 07/28/15 the info was a year behind. Additionally all the adjustments were posted on 12/31/14.

The current Supervisor did not maintain trust and agency fund records in 2012 or 2013. In addition, the current Supervisor did not accurately record trust and agency activity from January 1 through April 30, 2014, record any such activity after April 30, 2014 or compare the accounting records with the reconciled bank balances. As of December 31, 2014 funds held in the trust and agency bank account totaled approximately \$20,000.

The trust and agency fund is used to account for routine payroll withholdings held by an entity in a custodial capacity until such amounts are disbursed to the appropriate individual, organization or governmental unit. The manner of disbursing payroll withholding payments varies. Certain items must be remitted immediately while other deductions are held for future transmittal, must be safeguarded until paid.

Response:

Upon arrival to the Town of North Collins, the State auditor was given keys to the Town Hall and Supervisor's Office including locked file cabinets. It was explained to [REDACTED] where certain items were, including binders that held financials, payrolls, and general journals. All these binders are labeled appropriately.

It appears that the auditor could not find the bank recs for 2012, all of which were complete and in proper order in the locked file cabinet. The bookkeeper was never asked by the auditor either verbally or in writing for these documents.

[REDACTED] advised us that we did not have to keep trust and agency records because we transfer the exact amount of payroll for the month from Money Market to the payroll account.

No other activity was used for the payroll account. The prior Supervisor did not show trust and agency or payroll on the Supervisor report.

The biweekly payroll amounts are deducted from the Money Market Account and transferred to the Payroll Account on a biweekly basis. These amounts are recorded on a spreadsheet to reflect the appropriate expenditure accounts and balanced to the amount that was transferred to the Payroll Account.

Accounting Records are reconciled to the bank statements on a monthly basis when the statements are received.

The expenditure reporting is given to the Town Board on a monthly basis including all expenses for the payroll to each appropriate fund.

Please review the December 2012 statement of the Monthly Report of Supervisor which is attached, exhibit 3 A. This report is given to the Town Board on a monthly basis. This report includes Revenues, Expenditures, bank recs for the Savings and Checking Accounts

The reconciled payroll bank statement is attached for December 2012. The information was all in the appropriate files and the auditor had access to these files, exhibit 3 B.

This is only a sampling of the reporting that was done from January of 2012 to March of 2015 to prove that this information was done on a timely basis. To prove that the above referenced statement from the auditor is not valid.

Annual Financial Report

The current Supervisor compiled and filed the 2011 AUD using the former Supervisor's accounting records. We compared balances reported in the accounting records with the amounts reported in the Town's 2011 AUD and found that the current Supervisor had improperly adjusted cash and fund balances in the refuse, general town-outside-village and general town-wide funds. The current Supervisor was unable to provide an explanation for these

adjustments. It appeared she may have been attempting to make the accounting records agree with the bank balances as of December 31, 2011, instead of investigating and determining why the balances did not agree.

Response:

This is related to what was explained in #1 above. It was investigated in as timely a manner as possible due to the numerous extraneous issues as discussed in Item # 1 and other redundant areas of this draft and a full length discussion in the exit interview.

A For example, the current Supervisor increased the 2012 refuse fund's beginning cash and fund balances by \$55,180 so the 2011 AUD's reported cash balances would reconcile with the beginning 2012 bank balance.

Response: (overview of this [REDACTED] Garbage Account)

Please review Supervisor Report Balance 12/31/11 the amount for the SR fund checking account is 0.00 which compares to the bank reconciliation.

Please review the General Journal Beginning Balance for the January 1, 2012 SR checking account of \$58,102.50

The beginning balance in this checking account should be 0.00 so therefore the adjustment was made for the erroneous balance transfer.

For example, the current Supervisor increased the 2012 refuse fund's beginning cash and fund balances by \$55,180 so the 2011 AUD's reported cash balances would reconcile with the beginning 2012 bank balance.

Response:

Expense Report

November 30, 2011 Supervisor SR8160.4 budget amount is \$165,000 less expenditures to 11/30/11 is \$ 10,827.50

Contractual amount for [REDACTED] Garbage is \$ 13,750.00 per month

Over budget by \$2,922.50 plus the amount that should have been held for the first three months of \$ 41,250.00 as per attached page 7 of contract for [REDACTED]

November 30, 2011 Supervisor Report SR200 checking Fund Balance 0

November 30, 2011 Trial Balance Report SR 200 Checking is 0

Trial Balance Records indicate that there was no money held as per this contract

December 20, 2011 Transfer for Abstract 012 \$55,180.00 Total Transfer for all Funds is \$154,501.31 Bank Statement Deposit on statement is \$154,501.31

Please review minutes below:

Minutes copied from 12/11 minutes on Line
Total is \$159,760.95 which is a difference of \$ 5,259.64

AUDIT OF BILLS

Item 20. Mr. Krauss moved:

BE IT RESOLVED that payroll for Glenn Kerwin and the following claims, as set forth in Abstract #12 are approved for payment by the Town Board:

A: #677-716,753,755-56 \$45,292.71

B: #717-723,754,757 3,978.02

DA: #728-741 10,729.69

DB: #678,742-752 44,378.84

SM: #724-725 201.69

SR: #726-727 55,180.00

TOTALS: \$159,760.95

The totals should match the bank amounts and the checking amounts. The SR Fund does equal \$55,180.00

Please review the [REDACTED] Vendor Transaction Listing

Total amount spent was \$ 209,352.50 Including checks # 10707 and 10708

The total budget amount was for \$165,000.00.

As the auditor is aware the books cannot be closed with a negative balance on the appropriations. A Budget adjustment was made to account for the overages changing the amounts to \$221,842.50 as of December 2011. Which brings the balance to 0.

Please note that \$ 1,260.00 should have gone to the B fund and was adjusted.

The issue is as follows:

Beginning Balance		165,000.00
01/19/11 ck 9990 should be A/P	15,592.50	
4 mos at 13,750.00	55,000.00	
7 mos at 13,930.00 is	97,510.00	
Total expenses for 2011 shd be	152,510.00	
Excluding a/p ck dated 2012		
Below		
3 mos withheld first year	41,250.00 (note I do not see this in the trial balances)	
Total for 2011	193,760.00 (152,510 +41,250.)	
Add Accounts payable 2010	15,592.50	
Total	209,352.50	

Amount in the Expenditure Fund 2011 is \$209,352.50

Note actual expenditures posted are \$221,842.50, which is a difference of \$12,490.00 and \$1,260.00 (B fund Expenditure posted to SR TC error) for a total of \$13750.00 this is the amount of the A/P for 2011.

Response:

Please see attached bank statement for the checking account December 30, 2011.
And the Supervisor monthly report both of which show the Fund SR as having a 0 balance.

Per [REDACTED] Program

Beginning	9,806.38
Ending	70,463.62
Reconciled Balance	2,563.30

Note: Check # 10707 dated 12/20/11 for \$13,930.00 and Check # 10708 for \$41,250.00 are both listed as outstanding. They cleared on 01/04 and 01/12 as per attached.

More issues:

On 04/25/2012 I received an email from the Town Attorney [REDACTED] stating that [REDACTED] did not receive his check #10774, which was the final check and posted as accounts payable SR 600 on 01/17/12. (see attached)

At that time I called the bank to see if the check had cleared and then contacted the Supervisor to request a stop payment which was completed on 05/04/12.

On 05/01/2012 check #11035 was issued to [REDACTED] to replace the check that we put a stop payment on. I did not void the old check number in the system because we had issued a stop payment and it was for the exact same amount which was already posted to the Accounts Payable. The funds and/or balances were not reflected by this re-issued check.

However, in December 2011, the former Supervisor had issued checks for two contractual payments,^s which had not yet cleared the bank as of December 31, 2011. The current Supervisor failed to account for these checks in the December 31, 2011 bank reconciliation. Therefore, the refuse fund accounting records and bank balance would not agree without reducing the fund's cash and fund balances by this amount.

^s The outstanding checks included a \$13,930 payment to the refuse vendor for December 2011 garbage services and the final \$41,250 contractual payment to this vendor, which was due and payable at the end of the service contract expiring on December 31, 2011.

Response:

Please see attached bank statement for the checking account December 30, 2011,
and the Supervisor monthly report both of which show the Fund SR as having a 0 balance.

Per [REDACTED] Program	
Beginning	9,806.38
Ending	70,463.62
Reconciled Balance	2,563.30

Note: Check # 10707 dated 12/20/11 for \$13,930.00 and Check # 10708 for \$41,250.00 are both listed as outstanding. They cleared on 01/04 and 01/12 as per attached.

The Auditor requested reporting of GJ entries on July 28, 2015.

As per attached General Journal entries reflect all the adjustments needed to adjust and correct the budget for yearend process including over-expenditures of appropriations. This was completed after the December 2011 Supervisor Report.

Supervisor reports are completed after the bank statements are reconciled to the books and given to the board on the second Wednesday of the month and reflect the prior month activity. December of every year, therefore, is reconciled in January of the next year. Yearend adjustments and budget entries are completed for yearend process while doing the annual AUD report. Any adjustments cannot be recorded in the prior year so they are adjusted in the current year after the AUD report is submitted. You must close out the prior year in order to complete the next year's recordkeeping. It is not uncommon to be 2 to 3 months behind in presenting Supervisor Reports while in process of completing the AUD reports because you leave the prior year open. Once you close the year and any adjustments are found, they will have to be reported in the current year for the prior year because the Municipal Accounting program does not allow you to adjust once the year is closed.

Municipal Accounting has extreme restrictions and because of this it causes delays in adjusting entries that cannot be recorded in the proper year.

Town officials hired an accounting firm (firm) to perform an audit of the current Supervisor's records for 2012 and 2013 and prepare and file the AUDs for those years. The firm was also engaged to prepare and file the 2014 AUD. The firm recommended the current Supervisor record adjusting journal entries in the accounting records to correct the improper adjustments made during 2012. However, the current Supervisor did not record the adjusting entries. As a result, the 2012 and 2013 AUDs filed by the firm did not agree with the current Supervisor's accounting records.

Response: Redundant

Please see item #2 and explanation of Auditor

Yearend adjustments were given to the Supervisor and the Bookkeeper after the AUD report was completed.

All entries were entered into the system in 2014 as per documentation in Item #2 and explanation of the auditor. This statement is incorrect.

Because of these deficiencies, we reviewed the accounting records and monthly reports presented to the Board for six months during the audit period to determine if revenues and expenditures were accurately recorded and up-to-date. In addition, we reviewed the December 2014 accounting records to assess the accuracy and reliability of the accounting records at year-end. **While our testing did not disclose any improper disbursements or misappropriated funds, the risk that this may have occurred remains, because accounting records and financial reports were not accurate or reliable.**

Response:

A supervisor report is given to the Town Board with the Supervisor's approval and signature on a monthly basis. This report includes detail of Revenues, Expenditures, a cash receipts list and bank statements all tied back to the two page Supervisor Report. This report also includes a very detailed spreadsheet with beginning balances to ending balances that tie back to the accounting programs report. This proves on a monthly basis that accounting records and financial reports are truly accurate and transparent to the Town Board.

Once again yearend adjustments are not completed until the following year doing the AUD as previously stated.

Accounting Records and Monthly Reports

However, during 2012 these reports were inaccurate because the accounting records included the following errors:

- General town-wide fund revenues were overstated by approximately \$165,000 and highway town-outside-village fund revenues were understated this same amount. This occurred because the bookkeeper erroneously recorded sales tax revenue received from the County in January and April as State revenue sharing aid in the general town-wide fund.

Response: Redundant please refer to request from Auditor on 07/28

This statement is correct. In January and April 2012 due to the many issues which were previously disclosed to the auditor, the Sales tax was erroneously entered into the A Fund instead of the DB Fund. The reports and records were previously submitted to the auditor and corrected in July of 2013.

Trust and agency accounts were understated by approximately \$19,000 at year-end because no accounting records were maintained.

Response: Redundant, please refer to Item 3 T & A Issues

It appears that the auditor could not find the bank recs for 2012. All of which were complete and in proper order in the locked file cabinet. The bookkeeper was never asked by the auditor either verbally or in writing for these documents.

Please refer to Item #3 which includes copies of the 2012 December bank recs for the payroll account.

The expenditure reporting is given to the Town Board on a monthly basis including all expenses for the payroll to each appropriate fund.

In November 2012, the Board approved a resolution to correct the misclassified sales tax revenue. However, neither the current Supervisor nor the bookkeeper recorded the adjusting journal entry to correct this error until February 2015 more than two years later.

Response: also refer to the item on Accounting Records and Monthly Reports

In January and April 2012 due to the many issues which were previously disclosed to the auditor, the Sales tax was erroneously entered into the A Fund instead of the DB Fund. The reports and records were previously submitted to the auditor and corrected.

Please see the attached item #7 which states that the \$49,725.48 (A2770 Unclassified) revenue was re-classed on 10/31/12 to DB1120 (Sales tax revenue)

This amount was corrected by the CPA Firm (please refer to item #2 and Item #6) to accommodate adjustments which were corrected 12/31/2014.

November 2012 Minutes

BE IT RESOLVED that the following transfer is needed to re-class sales tax that was Misapplied to unclassified revenue. The following transaction is \$49,725.48 from A2770 (Unclassified Revenue) to DB1120 – Highway Fund (Sales Tax Revenue) \$49,725.48.

Moved: Perry. Second: Krauss.

ROLL CALL: Ayes: Krauss, LoBianco, Perry, Seege, Vanni. Noes 0. Motion carried.

Page #9 paragraph #2 Statement is redundant see item 3

Furthermore, the trust and agency fund remained uncorrected and understated in 2013 because no accounting records were maintained.

8. ...during 2013, highway town-outside-village fund revenues were overstated by approximately \$23,000 and general town-wide fund revenues were understated by this same amount. This occurred because in September 2013 the bookkeeper erroneously recorded general town-wide State revenue sharing aid as highway town-outside-village snow removal revenues.

Response:

Please see the attached item # 8

I have attached DB2302 2013

and DB599 Appropriated Fund Balance 2013 and complete Trial Balance, etc reports for 2013

Revenues – In January 2012, the bookkeeper erroneously recorded a \$50,000 transfer from the Town's general fund savings account to the general fund checking account.¹⁰ She recorded this transfer by decreasing the cash balance of the savings account by \$50,000 and increasing miscellaneous revenue by \$49,725 and health insurance reimbursements by \$275 in the general town-wide fund. However, a transfer between two Town bank accounts does not generate revenue and should have simply been reflected as an increase in one cash account and a decrease in the other.

The Board approved a resolution in November 2012 to eliminate the \$49,725 general town-wide miscellaneous revenue and record it as sales tax revenue in the highway town-outside-village fund because the current Supervisor told the Board that the \$50,000 transfer represented sales tax revenue from the County. In October 2012, the bookkeeper recorded this entry in the accounting records as specified in the resolution.

Response: Redundant, please see Item #2, Item #6, and Item #7

In January and April 2012 due to the many issues which were previously disclosed to the auditor, the Sales tax was erroneously entered into the A Fund instead of the DB Fund. The reports and records were previously submitted to the auditor and corrected.

Please see the attached item #7 which states that the \$49,725.48 (A2770 Unclassified) revenue was re-classed on 10/31/12 to DB1120 (Sales tax revenue)

Basically the entry was a DR to cash in the DB fund and a credit to cash in the A fund since this is double entry accounting. The actual cash amount was not affected other than adjusting for the erroneous entry of cash in the A fund instead of the DB fund.

Regarding the \$275.00, this was actually \$274.54 which was a bounced check for health insurance reimbursement Check #2626 dated 01/18/2012.

Justice Court Fines and Fees – The bookkeeper did not accurately record the Town’s share of 2012 and 2013 Justice Court (Court) fines and fees revenue totaling \$47,037 in a timely manner.

AGREE

During 2014, the Town’s share of Court fines and fees totaling \$22,884 (from January 1 through March 30) was not recorded as revenue in a timely manner. Further, the bookkeeper erroneously recorded Court revenues for April through July 2014 each month in the same amount as was remitted to the JCF totaling \$8,944, instead of the Town’s share of \$31,311 a difference of \$22,367. The bookkeeper did not record an adjusting entry in the accounting record to correct these revenue errors until November 2014.

Response:

This is correct and the bookkeeper has been entering the Justice Court Fines and Fees effective 2014 on a monthly basis as reporting is submitted to the bookkeeper via the State Reports. Prior to this the bookkeeper entered on a monthly basis a portion of the funds and that portion was the portion that was paid to the state in the A690 fund.

The portion that was not recorded was A2610 Town portion and state and county revenue amounts as A690. This was due to improper keying of reports and the supervisor had bookkeeper hold information until the Supervisor could review for correctness. The state portion was recorded on the abstract every month.

Each year the revenue was corrected as yearend adjustments.

Inter-fund Transfers – During January 2012, the current Supervisor made several inter-fund advances¹³ totaling \$76,270 from the general town-outside-village fund to the refuse fund and the miscellaneous revenue fund¹⁴ to provide cash flow for expenditures within those funds. However, the current Supervisor could not provide adequate supporting documentation or demonstrate that the Board authorized her to make these advances. Furthermore, the current Supervisor eliminated the inter-fund balances in the accounting records at year-end without repaying the general town-outside-village fund. This in effect treated the advances as permanent inter-fund transfers. The Board's failure to properly review and approve inter-fund advances, as required by law, limits the Board's ability to monitor the Town's financial affairs and its overall financial condition.

Response:

Please note that the board gave blanket approvals for transfers for yearend processing. This was discussed in the Board meeting and it was determined that we would use money from the A fund to accommodate the issues with the over expenditures. The board at no time stated they wanted this repaid since we have a hefty fund balance. If a resolution is needed, it will be provided after the next board meeting. During 2012, as a new supervisor, I was not advised by the Town Clerk of over 30 years and the Town Lawyer of 20 years that a blanket resolution was not sufficient.

Claims listed on the first abstract totaled \$4,383 and were paid and recorded in the accounting records on January 14, 2014 before being presented to the Board for audit and approval. The claims listed on the second abstract totaling \$19,062 were Board-approved for payment on February 12, 2014. Although the Board may by resolution authorize the payment in advance of audit of claims for public utility services, postage, freight and express charges, the expenditures paid prior to audit were for the current Supervisor's expenses, a concert and fire protection contract payments.

Response:

Please note Town Law Section # 118

Under this section of the law the town board may by resolution authorize the payment in advance of certain claims for public service utility services, postage, freight and express charges ... or amounts becoming due upon lawful contracts for periods exceeding one year.

Abstract #14 with total Claims of \$19,062.13 was for 2014 Accounts payable as per the account Numbers as A600 and SF600. Please note this is only one abstract not 2. The bookkeeper lists all prepays and requests the transfers to be made for the prepays as per the deposit sheet attached. They included Fire Contracts, contract for Community Choir. The amounts were Board approved and paid as prepays on 01/25/14 and accounts payable amounts were made on 02/01/2014 with Board approval.

Payroll and Trust and Agency Fund – Payroll-related expenditures (salaries and wages) were not recorded in the accounting records in a timely manner. For example, January 2, 2014 payroll expenditures of \$20,281 were not recorded in the accounting records until April 30, 2014.

Response: This is the result of the bookkeeper doing reconciliation in April of 2014 after the AUD was completed and the prior year 2013 were closed. In Municipal accounting you are not allowed to make entries in the current year until the prior year is closed out.

The current Supervisor did not ensure that activity was recorded in the trust and agency fund in a timely manner. The current Supervisor's accounting records did not include trust and agency fund activity until January 2014. However, trust and agency fund accounting records were still incomplete because the 2012 and 2013 activity remained unrecorded. Although monthly trust and agency fund activity was recorded for January 1, through April 30, 2014, no further activity was recorded from May 1 through December 31, 2014. Due to the poor condition of the accounting records, we reviewed payroll calculations for 10 employees and generally found that the employees were properly paid. However, because the trust and agency records are incomplete there is an increased risk that errors and irregularities could occur and remain undetected.

Response: Redundant

Accounting records are not in poor condition. The auditor had access to all files including General Journal Entry books, by fund by month by year, binders including trial balance etc., and all reconciliations. See attached photos. As per our discussion in the exit interview, I take extreme offense to this poor statement. Out of the 10 months that the auditor was here, I can state the auditor only spoke to me a few times regarding how my files and binders are coded.

Bank Reconciliations

The Supervisor is responsible for ensuring that the reconciled bank balances are compared with the cash balances for all Town bank accounts, as recorded in the accounting records, to help verify that all cash receipt and disbursement transactions are accurately recorded. Any differences between the reconciled bank balances and the recorded cash balances should be promptly investigated and resolved.

Upon receiving the bank statements, the bookkeeper was supposed to perform reconciliations for all Town bank accounts and provide the Board with reconciled bank balances. We found that bank reconciliations were provided to the Board for the Town's combined checking and the combined savings accounts. However, the bookkeeper reconciled the payroll account balance shown in the accounting records with the bank statement balance without regard to outstanding checks or deposits-in-transit. In addition, the bookkeeper did not prepare bank reconciliations for the health savings checking account.

Response:

Bank reconciliations, as per our discussion in our lengthy exit interview, were done monthly. TA and [REDACTED] were discussed by [REDACTED] as referenced in the Item 3, Item 9 and Item 13. All reconciliations are complete or we would not be able to tie out and/or complete an AUD report.

Because the current Supervisor did not report trust and agency fund activity on the monthly report and the bookkeeper did not perform reconciliations for these bank accounts, the Board did not have the necessary information to adequately monitor Town operations.

Poor accounting records created an environment where the Town's financial condition could not be effectively assessed or monitored. The numerous accounting errors and the improper accounting methods used by the Supervisor and the bookkeeper caused revenues and cash balance to be misstated and the monthly reports provided to the Board to be inaccurate

Response: redundant

It is an exaggeration that the Town's financial condition could not be effectively assessed or monitored.

Accounting errors were corrected. The Supervisor or Bookkeeper did not use improper accounting methods.

Once you review all the documentation that is being submitted, you will realize this was grossly overstated.

The Supervisor indicated she received training and that both she and the bookkeeper have accounting backgrounds. However, they may not have received sufficient training to fully understand the unique nature of municipal accounting. Therefore, the Supervisor and bookkeeper should continue to seek out technical assistance from experts, as needed, and obtain additional training to develop their knowledge and understanding of municipal accounting and Town operations.

Response:

This is a grossly overstated comment demeaning the reputation of the bookkeeper and the supervisor. The auditor stated that we have not been sufficiently trained to fully understand the unique nature of Municipal Accounting and therefore recommend additional training and technical assistance as needed. The insult to our integrity was when I was informed in our exit interview that as supervisor I had to take full responsibility for a prior supervisor's lack of knowledge of accounting and was being made responsible for the equity deficiencies prior to taking office because I made adjusting entries to accurately complete bank reconciliations. I was informed that I should have carried these items as an outstanding un-reconcilable item indefinitely even though we had a national accounting firm come in verify and justify accurately the equity deficiency for 2011 prior to the current supervisor taking office.

The auditor states that I can call the OSC for additional help. However, in January of 2012 when I took office I called the state controller's office, the regional controller's office, the state lawyer, the justice regional lawyer, [REDACTED] and the Association of Towns with the issue of the equity deficiency. And no one gave me the help that I was asking for. A gentleman in the Controller's regional office told me *"what do you want, the state to come in and do your job for you. It is your responsibility."* He did not give me any direction as to how to correct this issue.

The only help that I received was from the National Accounting Firm that the error occurred prior to the new supervisor taking office and that I am not legally responsible for this inequity. The firm commented that the prior supervisor was in office for over 20 years and that is the length of time the issues could be spread over.

It is true that while the bookkeeper and supervisor did not have detailed municipal accounting regulations down, we do understand what a debit and a credit is and all accounting functions and procedures. If we did not have our accounting experience, we would not have been able to discover any of these issues. One example is the 44 misappropriations that were declassified in the early 70s and the prior supervisor reports did not match the AUD reports for over 20 years.

The Supervisor provided ledgers to us on February 11, 2015 with a preparation date of February 10, 2015.

The auditor requested copies of 2012 and 2013 ledgers at the end of January 2015. The [REDACTED] Program entries for 2012, 2013 and 2014 and current year are all on the bookkeeper's computer so that she has easy access to these files which cannot be changed per Municipal rules and Municipal accounting program. Whenever she runs the reports it prints the date the reports are run. So therefore, the above statement is unfounded and

inaccurate. The bookkeeper could not possibly adjust the whole year's entries in a few days.

As a common practice, the bookkeeper deposited large cash inflows such as State aid into the general fund savings account and then made transfers to the general fund checking account as needed to pay for payroll or other general fund expenditures.

¹¹ If Town officials had eliminated the real property tax levy in its part-town funds, then the Board could choose to allocate a portion of its remaining sales tax revenues to reduce real property taxes for its town-wide funds, to reduce the County real property taxes levied in the area of the Town located outside the village or fund additional part-town activities, or any combination of these options.

¹² The miscellaneous revenue fund was used to account for financial activity pertaining to a cooperative emergency dispatch service between the Town of North Collins, the Village of North Collins, the Town of Collins and the Seneca Nation. The Town of North Collins was the lead municipality for the service and it was disbanded at the end of 2014.

¹³ General Municipal Law allows the Town to temporarily advance money from one fund to another with the Board's approval. Repayment must be made as soon as money is available, but no later than the close of the fiscal year in which the advance was made.

¹⁴ These funds have the same tax bases. Therefore, transfers of available unrestricted fund balance and unanticipated revenue collections would be allowed with proper Board authorization.

Response:

The board at the time did not want to pay back the fund since we have an abundance of fund balance that exceed the required limit.

Although the OSC reviewed entries that were made in early 2012, and insist on possible adjustments, the appropriations, revenues, and equity as of 2014 are in balance. We will continue to review those items in question.

Sincerely,

Rosaline A. Seege
Supervisor
Town of North Collins

APPENDIX B

OSC COMMENT ON THE TOWN'S RESPONSE

Note 1

We reviewed the Supervisor's response and the additional documentation which was provided. Other than clarifying the annual financial report section of the report, we did not find it necessary to make changes to the report. We held multiple discussions with the Supervisor to address her concerns and further explain our findings and recommendations so she could continue to take corrective action and we remain available to provide assistance.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the Supervisor's accounting records and reports for the audit period to determine if complete and accurate accounting records and reports were maintained, allowing the Board to effectively monitor the Town's financial operations. To accomplish our audit objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed Town officials regarding policies and procedures for recording, reconciling and reviewing the Town's accounting records.
- We compared accounting records to the AUDs and audited financial statements issued during the audit period to determine differences and if the independent auditor's adjustments were recorded in the accounting records.
- We reviewed the Board minutes and the monthly budget-to-actual reports provided by the Supervisor for the Board's review for six months during the audit period.²¹ We arbitrarily selected these months and had no expectation that more or fewer errors would occur in the sample months than in any other month.
- We reviewed the accounting records for seven months during the audit period²² to determine if revenues and expenditures were recorded accurately and timely. We compared the deposits listed on the manual cash log with the deposits listed on the bank statements and the accounting records. We verified that the expenditures, as authorized on Board-approved abstracts, agreed with the accounting records for the vendors, amounts and account codes and were recorded in a timely manner. We arbitrarily selected these months and had no expectation that more or fewer errors would occur in the sample months than in any other month.
- We reviewed payroll calculations for 10 employees, one from each department. We tested the first payroll in 2014 that included all employees (some employees are paid biweekly and others are paid monthly) and the final regular payroll date. Based on the reported payroll amounts, we calculated what the annual salary or hourly rates would be and compared this with the Board approved pay rates. We arbitrarily selected our sample of 10 employees and the payroll periods examined. We had no expectation that more or fewer errors would occur in the sample payroll periods than in any other payroll period. We extended our testing for one employee to review payroll reports throughout 2014 because she was not paid correctly during the original payroll periods tested.
- We compared the December 31, 2011 cash balances from the monthly bank statements and reconciliations to the accounting records and did so for the same previously selected seven months during the audit period.

²¹ We selected January, February and March 2012 and January, February and March 2014.

²² We selected January, February and March 2012 and January, February, March and December 2014.

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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