



Town of Tuscarora

Supervisor's Records and Reports

Report of Examination

Period Covered:

January 1, 2014 – May 18, 2015

2015M-122



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 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 Tuscarora, 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 Tuscarora (Town) is located in Steuben County and has a population of about 1,500. The Town Board (Board), which comprises the Supervisor and four council members, is the legislative body responsible for managing Town operations and for overseeing its financial activities. The Town Supervisor (Supervisor), as the chief financial officer, has the overall responsibility to receive and disburse Town money, maintain the accounting records, prepare and distribute monthly financial operating reports to the Board and department heads, and prepare and file annual financial reports with the Office of the State Comptroller (OSC). The Supervisor has appointed a bookkeeper to assist with these responsibilities.

The Town provides various services to its residents, including street maintenance, snow removal and general government support. The Town's budgeted appropriations for 2015 are \$812,882. These expenditures are funded primarily with revenues from real property taxes, sales tax 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?

Scope and Methodology

We examined the Supervisor's records and reports for the period January 1, 2014 through May 18, 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 B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our findings and indicated they have taken 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 General Municipal Law (GML). For more information on preparing and

filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

Supervisor's Records and Reports

The Town's financial records must be complete, accurate and up-to-date to be useful for managing Town operations. The Supervisor, as chief fiscal officer, is responsible for maintaining adequate accounting records and financial documents that provide an accurate accounting of all financial transactions. The Supervisor must also provide the Board with comprehensive monthly reports that include complete and accurate financial information for each of the Town's funds. The Supervisor is further required to prepare and file an annual financial report with OSC within the time limits prescribed by law.¹ If the Supervisor assigns recordkeeping duties to a bookkeeper,² he must provide sufficient oversight to ensure that the bookkeeper's records are reliable and up-to-date, and that any journal entries have supporting documentation and supervisory approval.

The Supervisor's prior bookkeeper, who retired effective December 31, 2014, used manual accounting records which were accurately maintained. Upon her retirement, the Supervisor hired two interim bookkeepers. As of May 18, 2015, monthly bank statements for 2015 were not reconciled and the accounting journals and general ledger were not posted except for the original budget entries. In addition, the Board has not received any monthly reports since February 2015. The Supervisor informed us that the new bookkeeper who was hired April 13, 2015 will be transitioning the Supervisor's financial records from a manual system to an automated software to improve efficiency and controls. The Supervisor planned to have monthly reports to the Board by June 2015.

Financial Records

New York State Town Law (Town Law) requires the Supervisor to keep a complete and accurate account of the receipt and disbursement of all moneys. All general ledgers, cash receipt and disbursement journals, and subsidiary revenue and appropriation ledgers must be maintained in a complete, accurate and timely manner. The subsidiary revenue and appropriation ledgers must establish budgetary control at the level of detail contained in the original budget and as modified by the Board during the fiscal year. The Supervisor is also responsible for ensuring that monthly bank statement balances are reconciled with the cash balances recorded in his financial records to help verify

¹ GML requires that the Supervisor file an annual financial report with OSC and the Town Clerk within 90 days from the close of the Town's fiscal year. In the event Town officials anticipate missing the deadline, an extension can be requested, allowing the Town up to 120 days to file the report.

² In addition to the current bookkeeper, the Supervisor retained two interim bookkeepers in 2015.

that all cash receipt and disbursement transactions are captured and properly recorded. Any discrepancies must be promptly investigated and corrected. Finally, the Supervisor must adequately oversee individuals performing bookkeeping duties.

The Supervisor appointed a bookkeeper to maintain his accounting records as well as prepare deposits, checks, bank reconciliations, and monthly and annual financial reports. The Supervisor signed the checks and reviewed the monthly reports, but did not review the bank reconciliations to ensure the information recorded and reported was accurate. The Supervisor's prior bookkeeper was employed by the Town for almost 20 years prior to her retirement on December 31, 2014. As noted previously, during the interim, until the current bookkeeper was appointed, two individuals performed the bookkeeping duties without much success.

The Supervisor's previous bookkeeper maintained manual cash receipt and disbursement journals and a general ledger with subsidiary revenue and appropriations ledgers. The subsidiary revenue and appropriations ledgers contained the budgetary control amounts, actual revenues or expenditures and the remaining budget variance. We found that the 2014 records were accurate and up-to-date. However, we did find that budget modifications were not made until year end, instead of before the appropriation was overspent. The Supervisor told us that he reviews the budget-to-actual variances and ensures that there is sufficient fund balance to cover any variances prior to making payment. However, he did not review the bank reconciliations prepared by the previous bookkeeper or compare the reconciliation to the cash balance on the monthly reports. Further, the Supervisor's oversight was also hampered due to the lack of periodic trial balances.

Prior to the appointment of the current bookkeeper, two individuals were hired to perform the bookkeeping duties. However, they did not have sufficient prior training to complete all of the required job duties. Instead, they made deposits and processed and prepared payroll and payable checks for the Supervisor's signature. They did not prepare bank reconciliations or record financial transactions in the journals and general ledger. The Supervisor quickly recognized these deficiencies and took appropriate measures to replace these individuals with minimum operational impact. When the current bookkeeper was appointed, the Town decided to purchase a computerized accounting software to maintain the Supervisor's records and to prepare reports. The current bookkeeper has municipal accounting experience and planned to enter all the 2015 financial transactions into the computerized system by June 2015. By using the computerized accounting software, errors can be identified more

quickly, trial balances can be easily prepared and reviewed, and a control will be in place to identify and notify the user when an expenditure may exceed an appropriation, so that Board approval and budget modifications are made timely.

Although we found that the Supervisor's records were adequate, accurate and up-to-date for 2014, without sufficient oversight from the Supervisor in 2015, errors and irregularities could occur and go undetected or uncorrected in a timely manner.

Interim Financial Reports

The Board's ability to make sound financial decisions is hampered when it does not receive complete, accurate and timely financial information. Interim financial reports are essential tools needed for the Board to properly conduct its fiduciary oversight responsibilities.

Town Law requires the Supervisor to provide a monthly report to the Board which provides a detailed accounting of moneys received and disbursed. To be more useful, these reports also should include adjusted cash balances and budget-to-actual results of operations. Detailed financial reports enhance the Board's ability to oversee financial activities and monitor the Town's budget.

The Supervisor's previous bookkeeper prepared monthly reports for the Board that included adjusted cash balances; budget amounts; remaining budgeted balances; and prior, current and total year-to-date revenue and expenditures. Because the accounting system was manual, the reports required a substantial amount of time to complete. The one interim bookkeeper prepared two monthly reports for the Board (January and February). However, without reconciling the bank statements or using a system to record financial activity, the accuracy of those reports is questionable. When the computerized accounting system is functional, the current bookkeeper should be able to prepare the monthly reports immediately, which will enhance efficiency and timeliness in correcting any errors.

Recommendations

The Supervisor should:

1. Periodically review the bookkeeper's work to ensure that all financial activity is accurately recorded and reported in a timely manner, monthly bank reconciliation balances agree with book cash balances and any discrepancies disclosed are promptly investigated and corrected.
2. Provide the Board with detailed interim financial reports on a monthly basis.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

Town of Tuscarora
1094 Gill Road
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607-359-2787
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Town of Tuscarora
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For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations. This also serves as the cap. We agree with the audit findings.

Audit Recommendations:

The Supervisor should:

1. Periodically review the bookkeeper's work to ensure that all financial activity is accurately recorded and reported in a timely manner, monthly bank reconciliation balances agree with book cash balances and any discrepancies disclosed are promptly investigated and corrected.
2. Provide the Board with detailed interim financial reports on a monthly basis.

Implementation Plan of Action(s):

1. I, the Town Supervisor has reviewed the bookkeeper's work of the financial activity and signed all the necessary documentation verifying that all financial activity is accurately recorded and reported in a timely manner, monthly bank reconciliation balances agree with book cash balances and any discrepancies disclosed are promptly investigated and corrected.
2. The Town Board was provided detailed interim financial reports up to date as of August 10, 2015 and will continue to receive the detail financial reports every month.

Implementation Date:

The implementation date for this corrective action is August 10, 2015 and throughout from here forward.

Person Responsible for Implementation:

I Robert Nichols, the Town Supervisor is responsible for actions.

Signed:



Aug 12, 2015
Date

Robert V. Nichols
Town of Tuscarora Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to determine if the Supervisor maintained complete and accurate accounting records and reports. To accomplish our objective, we interviewed appropriate Town officials and employees, tested selected records and examined pertinent documents for the Supervisor for the period January 1, 2014 through May 18, 2015. Our audit included the following steps:

- We interviewed the Supervisor and prior bookkeeper to gain an understanding of how the accounting records and reports were prepared.
- We reviewed the Town's manual financial records (e.g., cash receipt and disbursement journals) and compared them to transactions on bank statements to determine the reasonableness of recorded transactions.
- We compared 2014 Board-approved disbursements and payroll for the general fund (\$301,387) and highway fund (\$616,159) to disbursements recorded on the Supervisor's report and prepared a cash proof to determine if activity for disbursements per the bank statements matched disbursements recorded and authorized.
- We traced all transfers for the general fund (\$305,700) and highway fund (\$616,500) between the checking and savings accounts and \$25,000 between accounts for interfund activity for 2014.
- We compared cash balances on the reconciled bank statements to cash reported on the Supervisor's monthly reports and the annual financial report for 2014.
- We selected the month of November 2014 and traced canceled checks to abstracts or payroll and reviewed the supporting documentation to determine if it was appropriate and adequate.
- We compared accounting records to reported amounts on the annual financial report for 2014 to determine whether they were consistent.

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.

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