



# Village of Alexandria Bay

## Board Oversight and Internal Controls Over the Clerk-Treasurer's Records and Reports

Report of Examination

Period Covered:

June 1, 2010 — May 31, 2011

2011M-211



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

January 2012

Dear Village 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 Village 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 Village of Alexandria Bay, entitled Board Oversight and Internal Controls Over the Clerk-Treasurer'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 General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Village of Alexandria Bay (Village) is located in Jefferson County, covers less than one square mile and has a population of approximately 1,100. The Village Board of Trustees (Board) is the legislative body responsible for managing Village operations, including establishing internal controls over financial operations and maintaining sound financial condition. The Board includes the Village Mayor (Mayor), who serves as the chief executive officer, and four Trustees. The Village Clerk-Treasurer (Clerk-Treasurer) is the chief fiscal officer (CFO). As CFO, the Clerk-Treasurer is responsible for the custody of Village moneys, maintaining appropriate accounting records, and preparing monthly and annual financial reports. The Clerk-Treasurer also has a Deputy Clerk-Treasurer who shares her responsibilities.

The Village's 2011-12 budgeted general fund expenditures are approximately \$1.78 million, water fund expenditures are approximately \$453,000, and sewer fund expenditures are approximately \$291,000, funded primarily with real property taxes, user charges, and State aid.

### **Scope and Objectives**

The objectives of our audit were to review the Village's financial management and internal controls over the Clerk-Treasurer's records and reports for the period June 1, 2010 to May 31, 2011. We reported on certain transactions and activities outside of our audit period where the information was necessary and relevant to this audit. Our audit addressed the following related questions:

- Did the Board properly monitor the Village's finances, its overall financial condition, and the budget process, and did it provide adequate oversight of the Clerk-Treasurer's duties?
- Did the Clerk-Treasurer ensure that financial activity was properly supported, accurately recorded and reported on a timely basis?

### **Audit Results**

Because the Board failed to properly monitor Village finances and oversee the work of the Clerk-Treasurer, the Village has not kept proper accounting records for at least five years. This basic deficiency resulted in an ineffective budgeting process, a lack of critical financial information for the Board, and an excess of accumulated cash on deposit which led to the levy of unnecessary taxes. Additionally, the Village has not complied with statutory reporting requirements.

The Board has not sufficiently segregated the duties of the Clerk-Treasurer or established compensating controls. Both the Clerk-Treasurer and the Deputy Clerk-Treasurer were involved in

collecting, recording, and depositing moneys and opening bank statements. Although the Deputy Clerk-Treasurer normally completed the bank reconciliations, which the Clerk-Treasurer reviewed, the Clerk-Treasurer also could perform them without any Board review, increasing the risk of errors or irregularities. Additionally, the Village's proposed budgets for the 2010-11 and 2011-12 fiscal years did not contain all the required information, such as schedules of cash surpluses, reserves, wages and salaries. The budgets also did not include fund balances estimated for the close of the current fiscal year, an important component for developing the ensuing year's budget, and the Clerk-Treasurer did not provide the Board with ongoing reports of actual revenues and expenditures for monitoring the budget. The Board nonetheless adopted the budgets based on incomplete information, without questioning the Clerk-Treasurer's methodology and lacking the means to properly monitor the budget. Due to the Board's failure to provide adequate oversight, as of May 31, 2011, the Village had \$2.2 million in excess cash on deposit – equivalent to 92 percent of its entire budget for 2011-12. The Board levied about \$944,000 in taxes for the 2011-12 fiscal year despite accumulating these significant cash balances.

We also found that internal controls over the Clerk-Treasurer's records and reports were poor, allowing incomplete and unreliable recordkeeping. The Clerk-Treasurer did not maintain general and detail ledgers and cash control accounts with daily balances, did not provide sufficient monthly financial reports to the Board, and has not filed timely annual financial reports with the Office of the State Comptroller since the 2005-06 fiscal year.<sup>1</sup> Additionally, the Clerk-Treasurer apparently commingled general, water, and sewer fund moneys in Village bank accounts and, given the inadequate records, it is not possible to determine what funds comprise these accounts. Due to the long-standing disarray of the accounting records, the Board has no assurance that the budgets are realistic, the Village is not in compliance with statutory accounting and reporting requirements, and the Board cannot fulfill its responsibility to monitor and manage Village finances.

### **Comments of Local Officials**

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

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<sup>1</sup> On June 30, 2011, the Clerk-Treasurer filed the 2006-07 annual update document with the Office of the State Comptroller.

# Introduction

## Background

The Village of Alexandria Bay (Village) is located in Jefferson County, covers less than one square mile and has a population of about 1,100. The Village provides Justice Court, Code Enforcement, Water and Sewer, Police, Public Works, and Parks and Recreation services to its residents.

The Village Board of Trustees (Board) is the legislative body responsible for managing Village operations, including establishing internal controls over financial operations and maintaining sound financial condition. The Board includes the Village Mayor (Mayor), who serves as the chief executive officer, and four Trustees. The Village Clerk-Treasurer (Clerk-Treasurer) is the chief fiscal officer (CFO). As CFO, the Clerk-Treasurer is responsible for the custody of Village moneys, maintaining appropriate accounting records, and preparing monthly and annual financial reports. The Clerk-Treasurer also has a Deputy Clerk-Treasurer who shares her responsibilities. Although the Board is primarily responsible for the effectiveness and proper functioning of the Village's internal controls, the Clerk-Treasurer also shares the responsibility for ensuring that internal controls are adequate and working properly.

The Village's 2011-12 budgeted general fund expenditures are approximately \$1.78 million, water fund expenditures are approximately \$453,000, and sewer fund expenditures are approximately \$291,000, funded primarily with real property taxes, user charges, and State aid.

## Objectives

The objectives of our audit were to review the Village's financial management and internal controls over the Clerk-Treasurer's records and reports. Our audit addressed the following related questions:

- Did the Board properly monitor the Village's finances, its overall financial condition, and the budget process, and did it provide adequate oversight of the Clerk-Treasurer's duties?
- Did the Clerk-Treasurer ensure that financial activity was properly supported, accurately recorded and reported on a timely basis?

## Scope and Methodology

We examined the Village's financial management and internal controls over the Clerk-Treasurer's records and reports for the period June 1, 2010 to May 31, 2011. We reported on certain transactions and activities outside of our audit period where the information was necessary and relevant to this audit.

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 Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to take corrective action.

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

## Board Oversight

The Board is responsible for oversight of the Village's financial operations. This requires the Board to obtain financial information for making management decisions and maintaining a healthy and stable financial position for the Village. It is important that the Board provide policies or other guidance for the Clerk-Treasurer to use in performing her duties. The Board is responsible for segregating the Clerk-Treasurer's financial duties, or establishing compensating controls. The Board is also responsible for ensuring that Village checks are properly signed. Village Law also requires the Board to audit, or cause to be audited, the financial records and reports of the Clerk-Treasurer on an annual basis. In addition, the Board must monitor its budgets. It is essential that Board members understand the extent of oversight required to meet their responsibilities to Village taxpayers.

The Board failed to properly segregate the duties of the Clerk-Treasurer or establish compensating controls, and did not provide adequate oversight of the Village's financial operations. Specifically, the Board did not monitor the Village budget or provide for the statutorily required audit of the Clerk-Treasurer's financial records. Without fulfilling these key responsibilities, the Board does not have a clear picture of the Village's financial position, including the fund balances of the major operating funds, and is not well equipped to ensure ongoing fiscal stability.

### Segregation of Duties

Proper internal controls ensure that duties are adequately segregated so that an individual does not control all phases of a transaction. When one person performs all the duties related to cash collections or disbursements, recordkeeping, and reconciliation of accounts, there is an increased risk that cash could be misappropriated without detection. If limited resources make it difficult to segregate incompatible duties, Village officials should consider implementing compensating controls. For example, the Board could designate someone to regularly review bank statements, canceled checks, cash receipt records, and reconciliations, and compare them to the transactions recorded in the Village's accounting records.

During our audit period, the Clerk-Treasurer's office was staffed by a full-time Clerk-Treasurer and a part-time Deputy Clerk-Treasurer. The Board did not sufficiently segregate the financial duties in the Clerk-Treasurer's office or establish adequate compensating controls. Consequently, the Clerk-Treasurer and Deputy Clerk-Treasurer shared many of the financial and recordkeeping responsibilities with

few checks and balances in place. For example, both individuals were involved with collecting, recording, and depositing moneys received, and opening the bank statements. The Clerk-Treasurer also made bank transfers, was responsible for preparing checks, and occasionally signed checks. The Deputy Clerk-Treasurer normally performed the bank reconciliations, which the Clerk-Treasurer reviewed; however, when the Deputy Clerk-Treasurer was unavailable, the Clerk-Treasurer prepared the bank reconciliations. Although the Board did receive a report showing a monthly bank reconciliation for all bank accounts in total,<sup>2</sup> it has not designated anyone to periodically review the Clerk-Treasurer's records or canceled checks during our audit period.

Village officials did attempt to segregate disbursement duties by having the Mayor or the Deputy Mayor sign checks.<sup>3</sup> However, Village Law requires the Clerk-Treasurer to sign checks. The Mayor (or Deputy Mayor) may sign checks only in the case of the Treasurer's absence or inability, when authorized by a Board resolution or local law. However, the Board could further strengthen controls over disbursements, and comply with statutory constraints, by requiring the Mayor or Deputy Mayor to co-sign all checks with the Clerk-Treasurer.

Because both the Clerk-Treasurer and Deputy Clerk-Treasurer each had the ability to control all phases of the Village's cash transactions with limited oversight, there is a risk that moneys could be received and not deposited and that unauthorized checks or bank transfers could be made without detection.

## **Budget Development**

The form and content of the budget should provide the Board with the information needed to determine if budget estimates are reasonable. Village Law requires that the proposed budget contain comparative information showing actual revenues and expenditures for the last completed fiscal year, and appropriations and estimated revenues for the current fiscal year to date. The proposed budget must also include a schedule of fund balances estimated to be on hand at the close of the current fiscal year. It is essential for Village officials to develop realistic budgets and for the Board to monitor the actual results against budgeted revenues and expenditures to ensure that appropriations are not overspent and budgeted revenues are sufficient to maintain services at acceptable levels.

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<sup>2</sup> These monthly reports also include copies of bank statements.

<sup>3</sup> Our review of all the checks issued for the fiscal year June 1, 2010 through May 31, 2011 found that, of 1,386 checks, the Clerk-Treasurer signed 135 checks, the Mayor signed 810 checks, and the Deputy Mayor signed 441 checks.

The Village's adopted budgets for the 2010-11 and 2011-12 fiscal years did not contain all the required information. The Board-certified 2011-12 budget was no more than the proposed budget with a certification attached and a cover sheet. The sewer fund for the 2011-12 final budget was out of balance, showing revenues totaling \$283,550 and total appropriations of \$290,845. The 2011-12 final budget did not contain the requisite schedules, such as cash surpluses, reserves, or wages and salaries. The budgets also did not include estimates of fund balances remaining at the close of the current fiscal year, which is important for determining the amount of fund balance available to finance the ensuing year's budget.

The Clerk-Treasurer provided the Board with the budgeted revenues and expenditures for the current and last completed fiscal years, and the proposed revenue and expenditure estimates for the next year. However, she did not provide actual revenues and expenditures for the past fiscal year, or updated budgetary estimates for the current year to date. Without this information, the Board cannot monitor the current year's budget or effectively plan fund balance appropriations for the following year.

The Clerk-Treasurer told us she developed the tentative budget using the Board meeting minutes (which identify the total claims paid by fund each month); debt schedules, indicating debt service payments; payroll reports; and daily cash receipts worksheets. However, she did not retain any worksheets or other documentation to show how she applied this information to arrive at the budget estimates. The Board did not require a detailed explanation of the Clerk-Treasurer's budget development process, but adopted the 2011-12 proposed budget as presented. Because of the Board's failure to oversee the Clerk-Treasurer's budget development process – without examining her records and reports for accuracy (see below) – the Board was unaware of the true financial condition of the Village's operating funds and may have levied property taxes higher than necessary to finance Village operations.

## **Annual Audit of Records and Reports**

An annual audit of the Clerk-Treasurer's records and reports by the Board, as required by law, is a useful tool to provide assurance that public moneys are handled and accounted for properly. It helps to identify conditions that need improvement, enables Board members and other authorized personnel to learn more about financial operations, and provides an opportunity for the Clerk-Treasurer to express concerns about financial operations to the Board or other authorized personnel.

The Board had not audited, or caused to be audited, the financial records and annual financial report of the Clerk-Treasurer since the

2005-06 fiscal year. The Board's failure to perform an annual audit diminishes its ability to effectively monitor the Village's financial operations and could result in errors or irregularities that are undetected and uncorrected. Had the Board conducted an annual audit, it would likely have identified the Clerk-Treasurer's poor records. This basic deficiency led to numerous problems, including a failure to comply with statutory reporting provisions and the Board's inability to fulfill its responsibility of proper fiscal management. (These findings are detailed in the Records and Reports section.)

Due to the lack of oversight, we examined specific financial transactions to ensure that cash disbursements were for appropriate Village business purposes and that cash receipts were deposited in Village bank accounts. Although our examination did not reveal any significant discrepancies, this does not diminish the need for the Board to adequately segregate duties to help ensure that moneys received are properly deposited, and to reduce the risk of unauthorized payments or transfers.

It is critical for the Board to provide more oversight of the Village's financial activities and ensure that the budget is based on reliable and accurate accounting records. This will enable the Clerk-Treasurer to provide the financial information that the Board needs for monitoring and managing the Village's fiscal operations and for complying with statutory reporting requirements.

## **Recommendations**

1. The Board should segregate the duties of the Clerk-Treasurer or establish compensating controls to routinely monitor and review the work of the Clerk-Treasurer and Deputy Clerk-Treasurer. Such compensating controls could include:
  - Having a member of the Board receive and review the bank statements and canceled checks from the bank, compare deposits and canceled checks to the Clerk-Treasurer's records, and compare the bank statements and canceled checks to the bank reconciliations
  - Requiring dual signatures on all checks.
2. The Board should ensure that the form and content of the budget complies with statutory requirements. This includes comparative information on actual revenues and expenditures for the last completed fiscal year, appropriations and estimated revenues for the current fiscal year to date, and estimated fund balances expected to be available at the close of the current fiscal year.

3. The Clerk-Treasurer should provide the Board with actual revenue and expenditure reports for the past fiscal year and updated budgetary estimates, based on year-to-date actual results, for the current fiscal year.
4. The Board should audit, or cause to be audited, the financial records and reports of the Clerk-Treasurer on an annual basis, as required by law.

## Records and Reports

The Clerk-Treasurer is responsible for maintaining an appropriate and complete set of accounting records for all funds to ensure that cash receipts and disbursements are adequately safeguarded. Village financial reports must be complete, accurate, and current to be useful for the Board in the management and assessment of Village operations.

The Clerk-Treasurer does not maintain an appropriate and complete set of accounting records or account for each operating fund separately. In addition, the Clerk-Treasurer did not prepare monthly financial reports and failed to prepare and file annual financial reports as required by law. As a result, the Board cannot properly assess the Village's financial operations, and there is an increased risk that improper cash transactions could occur.

### Accounting Records

The Clerk-Treasurer is responsible for maintaining cash receipt and disbursement records, revenue and expenditure ledgers, and general ledgers that identify the cash balance of each Village fund and capital project. Accurate and up-to-date accounting records are the basis for monthly financial reporting to the Board, who must effectively monitor the budget, develop a tentative budget for the next fiscal year, and make management decisions in the best interest of the Village. Reliable and accurate accounting records also enable the Village to prepare and file the Village's annual financial report (known as the Annual Update Document, or AUD) with the State Comptroller's Office, as required by law.

Operating Funds and Capital Projects — While the Clerk-Treasurer maintained separate bank accounts for various purposes, she did not maintain general ledgers, revenue and expenditure ledgers, or cash control accounts (providing daily balances) by fund and/or capital project. Because the Clerk-Treasurer did not maintain revenue and expenditure subsidiary (detail) records to track financial activity by budget line item, she was unable to provide the Board with actual revenues and expenditures for the prior fiscal year, or interim budget status reports during the current year, which would help the Board identify any necessary budget modifications.

The Clerk-Treasurer told us that errors were found in the 2006 accounting records and that, therefore, Village officials discontinued the use of their computerized financial system. Although Village officials purchased new software, they have used it only to recreate the 2006-07 fiscal year records. The Clerk-Treasurer does not maintain manual accounting records.

Due to the lack of separate accounting records for each fund and capital project, Village officials were unable to determine the fund balance of the general, water, and sewer funds, and of each capital project. Further, the Clerk-Treasurer cannot properly track the Village’s financial activity and prepare timely and accurate monthly financial reports. Therefore, it is impossible for the Board to assess the financial condition of the various Village funds and capital projects, and there is an increased risk that moneys could be misappropriated without detection.

Cash Surplus and Tax Levy – As of May 31, 2011, the Village had 19 separate bank accounts, 15 of which held moneys set aside for reserves or other purposes.<sup>4</sup> To assess the financial condition of the Village’s main operating funds in the absence of adequate accounting records, we examined the Village’s bank statements to determine how much money the Village had on deposit in other checking and savings accounts,<sup>5</sup> which were not designated for reserves or other specified purposes. The amount of cash on deposit in these four accounts was enough to fund almost the entire following year’s budget, as follows:

<b>Table 1: Cash on Deposit Fiscal Year Ending May 31, 2011</b>	
Total Unreserved Cash on Deposit	\$2,336,740
FY 2012 Total Budgeted Appropriations in the General, Water, and Sewer Funds	\$2,524,801
Cash as Percent of Following Year's Budget	92.5%

The Board levied about \$944,000 in taxes for the 2011-12 fiscal year despite having already accumulated cash balances totaling \$2,336,740, equivalent to 92.5 percent of the 2012 budget. The Clerk-Treasurer told us she had estimated the Village’s available fund balance at May 31, 2011 to be \$200,000 and that approximately \$134,000 would be appropriated for the 2011-12 fiscal year.<sup>6</sup> The Mayor indicated the excessive cash could be due to overestimating expenditures at budget time over the past several years. However, given the lack of accounting records, neither we nor Village officials could verify these speculations.

<sup>4</sup> The bank accounts used to set aside moneys were entitled: DPW Equipment, Fire Equipment, Sewer System Reserve (two accounts), Water System Reserve (two accounts), Water Tower (two accounts), Dock Reserve, Park Improvement Reserve, Police Equipment Reserve, Valve Replacement Reserve, Street Paving Reserve, Golf Course Reserve, and Municipal Building Reserve. The combined balance in these bank accounts was \$409,605 as of May 31, 2011.

<sup>5</sup> The Clerk-Treasurer said she commingled general, water, and sewer fund moneys in these accounts. These bank accounts may also include some moneys related to capital projects or reserves; however, we could not determine what funds comprised these accounts due to the poor records.

<sup>6</sup> We verified the appropriated fund balance for the general fund by reviewing the 2011-12 budget on file at the Village and with the State Comptroller’s Office.

Because the Board did not properly oversee the Village's recordkeeping, Village officials were apparently unaware of this significant undesignated cash surplus on deposit. As a result, the Village's tax levy of \$944,000 for the 2011-12 fiscal year was excessive and unnecessary.

## **Monthly Reports**

Good management practice requires the Clerk-Treasurer to provide monthly financial reports to the Board that include budget versus actual comparisons for total revenues and expenditures, individual revenue and expenditure accounts, amounts received and disbursed during the month, and totals for balance sheet accounts (including reconciled cash balances). Complete and accurate monthly reports provide essential financial information which the Board can use to monitor the Village's financial condition and compliance with the adopted budget.

The Clerk-Treasurer provided certain financial information to the Board on a monthly basis, including claims abstracts (summaries of payments made from each fund), payroll disbursement summaries, and a monthly bank reconciliation worksheet listing all the Village bank accounts, their balances, and the interest earned (i.e., total cash available). However, these reports did not identify the cash balances by fund or capital project. While the Board may know the value of the total Village cash in the bank, it does not see budget-to-actual comparisons or current fund balances. Therefore, the Board cannot know whether funds are over-expended and is unable to make informed financial decisions on behalf of the Village.

## **Annual Financial Reports**

The Clerk-Treasurer must file annual financial reports with the State Comptroller's Office within 60 days following the close of each fiscal year as required by law.<sup>7</sup> The annual financial reports must be accurate to allow the Board and the Village residents to assess the financial operations and financial condition of the Village.

The Clerk-Treasurer has not filed annual financial reports with the State Comptroller in a timely manner since the 2006 fiscal year. The annual financial report for the fiscal year ending May 31, 2007 had not been filed and accepted until June 2011. The annual financial reports for the fiscal years ending May 31 of 2008, 2009, 2010, and 2011 had not been filed as of October 2011. The failure to prepare and file annual financial reports within required time limits is indicative of the Village's financial recordkeeping problems. As a result, the Board and the public have been denied an important tool to monitor the Village's financial affairs.

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<sup>7</sup>An additional 60-day filing extension may be granted by the State Comptroller if a written request is received from the Clerk-Treasurer before the original 60-day filing period expires.

Due to the lack of records and reports:

- We identified all types of cash receipts received by the Village and traced the receipts to deposits into Village bank accounts. We traced Village departmental revenues for the month of June 2010. We traced all State, County, and Town of Alexandria revenues received during the audit period to deposit in Village bank accounts.
- We traced all check disbursements that cleared the bank for the period August 1, 2010 through October 31, 2010, totaling \$320,419, to Board-authorized claims and payrolls.
- We traced all non-check disbursements, for the period August 1, 2010 through October 31, 2010, totaling approximately \$1.9 million, either to deposit into another Village account or to supporting documentation to ensure they were made for proper Village expenses.
- We scanned all canceled check images from June 1, 2010 to May 31, 2011 for suspicious items or unusual payees. We traced 46 disbursements totaling \$51,543 to approvals for payment.

Our examination and comparison of source documents to deposit to or disbursement from bank accounts did not find any exceptions. However, the Clerk-Treasurer's failure to maintain accurate and current accounting records prevents the Board from having critical information for making financial decisions in the Village's best interest. Further, without reliable records and reports, there is an increased risk that improper cash transactions could occur and go undetected and uncorrected.

## **Recommendations**

5. The Clerk-Treasurer should maintain general ledgers (including cash control accounts), cash receipt and disbursement records, and revenue and expenditure ledgers for each fund and capital project.
6. Village officials should use excess fund balance or surplus cash identified in this report in a manner that benefits Village taxpayers. Such uses could include, but are not limited to:
  - Reducing Village property taxes
  - Increasing necessary reserves
  - Paying off debt
  - Financing one-time expenditures.

7. The Clerk-Treasurer should provide the necessary monthly financial reports to the Board for each fund, including revenue totals, expenditure totals, and balance sheet accounts with fund balance and cash.
8. The Clerk-Treasurer should file annual financial reports with the State Comptroller within 60 days following the close of each fiscal year, as required by law, and ensure that the reports are accurate.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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

Phone (315) 482-9902  
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*Village of Alexandria Bay*  
*110 Walton Street*  
*P.O. Box 367*  
*Alexandria Bay, New York 13607*

Mayor: Danielle L. Jury  
Trustees: Gary Williams  
Steven Jarvis  
Russell Henry  
Cynthia M. Penn

December 22, 2011

State of New York Office of the State Comptroller  
Syracuse Regional Office  
Attn: Rebecca Wilcox, Chief Examiner  
State Office Building, Room 409  
333 E. Washington Street  
Syracuse, NY 13202-1428

RE: Response to the NYS Comptroller's Office Audit #2011M-211  
Village of Alexandria Bay, NY

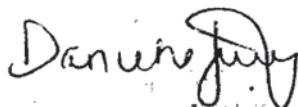
The Board of Trustees of the Village of Alexandria Bay, NY agrees with the findings of the above referenced audit conducted by the NYS Comptroller's Office for the period June 1, 2010 to May 31, 2011.

First, we take responsibility for not monitoring the village's finances more closely and providing adequate oversight of the Clerk-Treasurer's duties. As our CAP will show when submitted, we will make every effort to correct these deficiencies.

Secondly, the following will be addressed and corrected:

1. Segregate the duties of the Clerk-Treasurer
2. Require dual signatures on all checks
3. Ensure that the form and content of the budget complies with statutory requirements
4. Ensure that the Clerk-Treasurer maintains an appropriate and complete set of accounting records
5. Require monthly and annual financial reports from the Clerk-Treasurer
6. Ensure that the AUD will be filed annually with the Comptroller's Office
7. Audit all financial records on an annual basis

Very truly yours,



Danielle Jury, Mayor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the Village's financial condition and the adequacy of the internal controls put in place to safeguard Village assets. To accomplish this, we performed an initial assessment of fiscal operations and internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition, cash receipts and disbursements, records and reports, claims processing, procurement, payroll, and information technology.

During the initial assessment, we interviewed Village officials, performed limited tests of transactions, and reviewed pertinent documents, such as Board minutes, bank statements, and available financial documents and records. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected Board oversight and records and reports for further testing. Our procedures included the following:

- We interviewed Village officials to obtain an understanding of the organization and the accounting system and to identify key personnel.
- We evaluated internal controls, including management oversight and the segregation of duties, to determine whether duties and responsibilities had been established for officials and employees involved with maintaining the accounting records, and whether the Board developed and monitored realistic budgets.
- We interviewed Village officials and reviewed records and documents to determine whether adequate records were available, and where and how the records were maintained; whether the Clerk-Treasurer provided monthly financial reports to the Board and filed annual financial reports with the State Comptroller; and whether the Board audited the Clerk-Treasurer's records and reports annually.
- We identified all types of cash receipts received by the Village and traced the receipts to deposit into Village bank accounts. We traced Village departmental revenues for the month of June 2010. We traced all State, County and Town of Alexandria revenues received during the audit period to deposit in Village bank accounts.
- We confirmed that we had all the bank statements and canceled check copies for the audit period.
- We traced all check disbursements that cleared the bank for the period of August 1, 2010 through October 31, 2010, totaling \$320,419, to Board-authorized claims and payrolls.
- We traced all non-check disbursements for the period of August 1, 2010 through October 31, 2010, totaling approximately \$1.9 million, to either deposit into another Village account or to supporting documentation to ensure they were made for proper Village expenses.

- We scanned all canceled check images from June 1, 2010 to May 31, 2011 for suspicious items or unusual payees. We traced 46 out of a total of 1,386 disbursements, totaling \$51,543, to approvals for payment.<sup>8</sup>
- We determined the Village's surplus cash balance as of May 31, 2011 in comparison with the 2011-12 budgeted appropriations and the 2011-12 tax levy.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>8</sup> The 46 disbursements we reviewed further were selected using the following criteria: checks made payable to the Village or petty cash; payroll-related items that were paid more frequently than normal (biweekly or monthly); payments made directly to the Clerk-Treasurer, the Deputy Clerk-Treasurer, the Mayor, or Trustees; unusual vendors or amounts (i.e., vendors of goods and/or services that Villages typically do not buy from, or unrecognized payee names that consist of only abbreviations); credit card payments; or payments to vendors that might include personal items in addition to Village expenses.

## APPENDIX C

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**AND SCHOOL ACCOUNTABILITY**

Steven J. Hancox, Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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