



Village of Rouses Point

Internal Controls Over Selected Financial Operations

Report of Examination

Period Covered:

June 1, 2009 — May 31, 2011

2011M-232



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

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 Board of Trustees 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 Rouses Point, entitled Internal Controls Over Selected Financial Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

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

Respectfully submitted,

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



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Village of Rouses Point (Village) is located in the Town of Champlain in Clinton County and has approximately 2,200 residents. The Village is governed by a Board of Trustees (Board) which comprises four elected Trustees and an elected Mayor. The Board is responsible for the general management and control of the Village's financial affairs, including establishing appropriate internal controls over financial operations. The Village Treasurer (Treasurer), as chief fiscal officer, is responsible for the receipt, disbursement, and custody of Village moneys in addition to maintaining the accounting records. The Village's budgeted appropriations for the 2010-11 fiscal year were approximately \$8.7 million, funded primarily with real property taxes and water, sewer, and electric charges.

Scope and Objective

The objective of our audit was to review the Village's internal controls over selected financial operations for the period June 1, 2009 to May 31, 2011. We expanded our scope period to June 1, 2004 for our review of capital and community development projects. Our audit addressed the following related questions:

- Did the Village procure goods and services in accordance with statutory requirements?
- Did the Village adequately account for capital and community development projects to ensure that project funds were expended as authorized?

Audit Results

The Board did not provide adequate oversight of purchasing processes and the Village's capital and community development projects, and did not ensure compliance with statutory requirements. These deficiencies resulted in overpayment for purchases and the commingling of financing sources for individual projects with the Village's operating funds.

Village officials did not comply with competitive bidding requirements or use State contract options when procuring goods and services totaling \$251,445 from four vendors, and as a result paid approximately \$1,200 more than necessary for two vehicles. Therefore, Village officials cannot be assured that procurements of goods and services will be made with integrity and at the lowest cost.

The Board did not properly authorize capital and community development projects (projects), monitor them to ensure that project funds were expended as authorized, and formally close out completed projects. As a result, unexpended funds remaining after project completion were not disposed of

properly. In addition, the Treasurer did not maintain individual accounting records for each project, and commingled the financing sources from all projects into the Village's multi-fund checking account, which is also a commingled bank account used for the financial activity of the Village's operating funds. This commingling of funds enabled the project funds to use available cash from the Village's operating funds without the Board's approval or the Treasurer formally recording those advances. Consequently, Village officials were unaware that the community development fund had a deficit of \$175,843, and therefore, cannot repay the advances that have been informally made to the fund. When the general fund is charged to eliminate the deficit it will negatively affect the Village's financial condition.

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 initiate corrective action.

Introduction

Background

The Village of Rouses Point (Village) is located in the Town of Champlain in Clinton County and has approximately 2,200 residents. The Village is governed by a Board of Trustees (Board) which comprises four elected Trustees and an elected Mayor. The Board is responsible for the general management and control of the Village's financial affairs, including establishing appropriate internal controls over financial operations. The Village Treasurer (Treasurer), as chief fiscal officer, is responsible for the receipt, disbursement, and custody of Village moneys in addition to maintaining the accounting records.

The Village provides various services to its residents, including street maintenance and improvements, snow removal, public improvements, recreation and cultural activities, fire protection, water, sewer, and electric service, and general government support. The Village's budgeted appropriations for the 2010-11 fiscal year were approximately \$8.7 million, funded primarily with real property taxes and water, sewer, and electric charges.

The Village had a combined total of 13 active capital and community development projects (projects) during our audit period. These projects included, but were not limited to, repairs to the Civic Center ceiling, construction of a public bandstand, restoration of the railroad station, and the acquisition of property and development of a downtown Village park. The Treasurer accounted for these projects through the use of a capital projects, community development, and railroad station restoration fund. The Treasurer combined the financial activity for the three funds into the capital projects fund when submitting the annual financial report of the Village's financial condition to the Office of the State Comptroller.

Objective

The objective of our audit was to review the Village's internal controls over selected financial operations. Our audit addressed the following related questions:

- Did the Village procure goods and services in accordance with statutory requirements?
- Did the Village adequately account for capital and community development projects to ensure that project funds were expended as authorized?

Scope and Methodology

We examined the Village's financial operations for the period June 1, 2009 to May 31, 2011. We expanded our scope period to June 1, 2004 for our review of capital and community development projects.

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 initiate corrective action.

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

Procurement

The Board is responsible for designing internal controls that ensure the prudent and economical use of Village moneys when procuring goods and services and protect against favoritism, extravagance, fraud, and corruption. The primary objective of an effective procurement process is to obtain services, materials, supplies, or equipment of the desired quality and specified quantity at the lowest overall cost in compliance with applicable laws and properly established Board requirements. This helps ensure that taxpayer dollars are expended with integrity in the most efficient manner.

General Municipal Law (GML) generally requires competitive bidding for purchase and public works contracts that exceed \$20,000 and \$35,000,¹ respectively. In lieu of seeking competitive bids, the Village is authorized to make purchases directly from certain State-approved (Office of General Services) vendors. Additionally, there is an exception to the competitive bidding requirements for emergency purchases that require immediate action. When competitive bidding is used, contracts must be awarded, after advertising for sealed bids, to the lowest responsible bidder. In determining the necessity for competitive bidding, the aggregate amount to be expended for an item or service within the twelve-month period commencing on the date of the purchase must be considered. It is essential that applicable competitive bidding provisions be followed and State contract options investigated to help assure the prudent and economic use of public moneys and to facilitate the acquisition of goods and services of required quality at the lowest cost.

We reviewed \$599,710 in payments that the Village made to 15 vendors² during our audit period and found that Village officials did not comply with competitive bidding requirements or use State contracts for purchases totaling \$251,445 from four of these vendors. These purchases comprised the following:

- \$167,341 for repairs to the Civic Center ceiling³

¹ GML was amended to increase the bidding threshold from \$10,000 to \$20,000 for purchase contracts (effective June 22, 2010) and from \$20,000 to \$35,000 for public works contracts (effective November 12, 2009).

² We selected the sample by identifying vendors from which purchases were made that required competitive bids, and used the first 15 vendors on this list.

³ The \$167,341 does not include an additional \$70,000 paid directly to the vendor from Independent Energy Efficient Program, Inc. (IEEP) for energy conservation upgrades made to the Civic Center during the capital project. IEEP is a non-profit corporation consisting of municipal electric and gas utility members in New York State.

- \$34,590 for two 2009 pickup trucks
- \$20,846 for a 2011 hybrid sport utility vehicle⁴
- \$17,243 for chemicals for the wastewater treatment plant and water plant during the 2009-10 fiscal year
- \$11,425 for a 20-horsepower pump for the wastewater treatment plant.

The Mayor stated that the Village did not competitively bid the repairs that were made to the Civic Center ceiling because it was declared an emergency purchase at the May 4, 2009, Board meeting. However, the Village received quotes for the repairs during February 2009 from two vendors that were not granted the contract,⁵ indicating that there was sufficient time for the Village to competitively bid the project before it was declared an emergency.

The Mayor also stated that the Village did not competitively bid or use State contract options for the three vehicle purchases because the vendor stated it would match State contract pricing. However, because this vendor was not actually awarded a State contract, this was not a valid exception to the competitive bidding requirements. In fact, we found that the Village's purchase price exceeded State contract pricing for the two pickup trucks by a combined total of approximately \$1,200. Because the Village's purchase price for the hybrid sport utility vehicle included a trade-in allowance, we could not determine if the Village overspent for this vehicle through a direct comparison to State contract pricing. However, we determined that the Village's purchase price was comparable to the State contract price less the average suggested trade-in value.⁶ Nonetheless, the Village did not use a competitive process or State contract in making this purchase to ensure they paid the lowest price possible.

Because they did not comply with competitive bidding requirements or use State contract options, Village officials spent more than necessary for two vehicles and cannot have full assurance that other goods and services were procured in the most prudent and economical manner.

⁴ The Village subsequently received a \$10,000 reimbursement from IEEP for this purchase.

⁵ These two quotes were rejected because they did not meet the original specifications for the project.

⁶ We calculated the average suggested trade-in value from the amounts listed on a car appraisal website, based on data that Village officials provided about the vehicle that was traded in.

Recommendations

1. Village officials should obtain competitive bids for purchase and public work contracts in accordance with the provisions of GML.
2. Village officials should investigate the cost effectiveness of available State contract options and purchase through State contractors when appropriate.

Capital and Community Development Projects

The Board and Village officials are responsible for establishing procedures to properly authorize, monitor, and oversee the status of individual projects to ensure that moneys are properly accounted for and used only for their intended purposes. Such procedures include properly authorizing and monitoring projects to keep expenditures within spending limits, maintaining complete and accurate accounting records, and properly closing and disposing of any unexpended balances at a project's completion. The 13 Village projects that were active during our audit period had budgets ranging from approximately \$4,800 to \$987,500.

The Board did not properly authorize projects or provide adequate oversight to ensure that project funds were expended as authorized. In addition, the Treasurer did not maintain individual accounting records for each project and commingled the financing sources from all projects into the Village's multi-fund checking account, which is also a commingled bank account used for the financial activity of the Village's operating funds. The commingling of funds enabled the project funds to use available cash from the Village's operating funds without the Board's approval or the Treasurer formally recording those advances. Consequently, Village officials were unaware that the community development fund had a deficit of \$175,843, and therefore, cannot repay the advances that were informally made to the fund. When the general fund is charged to eliminate the deficit it will negatively affect the Village's financial condition.

Board Authorization and Oversight

Effective control over Village projects requires the Board to adopt a resolution at the inception of each project, identifying the project, authorizing the maximum estimated cost, and establishing how the project will be financed. The Board is responsible for monitoring the status of each project by reviewing monthly financial reports that compare actual revenues and expenditures to the related budget and by performing a thorough and deliberate audit of all claims before approving them for payment. Once a project is completed, the Board should adopt a resolution to close the project and dispose of any unexpended balance based on the project's funding source(s). Unexpended funds originating from bonds must be applied to the related debt (transferred to the debt service fund) and unexpended funds originating from interfund advances must be returned to the fund that originally supplied the resources.

The Board did not properly authorize or provide adequate oversight of Village projects. We reviewed a sample of 10 projects⁷ and found that the Board adopted a resolution for only one of the 10 projects that identified the project, authorized the maximum estimated cost, and established how the project would be financed. However, this resolution was adopted after the project's completion. For the other nine projects in our sample, the Board only adopted resolutions authorizing the Mayor to enter into and execute all agreements related to grants that would be used as financing sources for the projects. The Board also did not properly monitor project activity by requiring the Treasurer to submit monthly budget-to-actual reports for each project. Although the Village's community development consultant provided the Board with a monthly status report for each of the Village's community development projects, these reports did not include budget-to-actual comparisons. This is the only report the Board received and, therefore, the Board could not effectively monitor the projects or ensure that expenditures did not exceed the authorized amounts.

Further, the Board's informal process for auditing claims did not provide for a thorough and deliberate review of each claim, and, therefore, the Board as a whole did not review claims prior to payment. Instead, the Trustees approved claims for payment based on their examination of the abstracts (lists of claims to be audited). The Mayor was the only Board member who reviewed individual claims, as noted by his signature and date on claims. We reviewed a judgmental sample of 20 project claims⁸ totaling \$261,700 to determine if they were supported by adequate documentation and approved by the Board prior to payment. We also reviewed a judgmental sample of 20 purchases⁹ totaling \$256,403 to determine if they were made within the constraints of the corresponding project resolution and/or grant agreement. We did not identify any exceptions. However, the failure of the Board as a whole to perform a thorough and deliberate audit of each claim increases the risk of payments being made that are not within the constraints of project resolutions and/or grant agreements, which could result in projects being overspent.

⁷ We selected the first 10 projects from a list of all the projects that we determined were active during our audit period.

⁸ We selected the sample by first identifying all claims related to projects that were paid by the Village during our audit period. We then selected 20 claims based on the amount and payee.

⁹ We selected the sample by first identifying all purchases that were made by the Village related to projects during our audit period. We then selected 20 purchases based on the amount and payee.

The Board also did not adopt a resolution to close any of the four projects that were completed during our audit period. We reviewed the four projects to verify that any remaining balances were properly disposed of and found the following:

- A negative cash balance of \$12,885 remained for a project because an interfund transfer was never made from the general fund for its portion of the project's financing.
- Unexpended funds from bond proceeds for one project, totaling \$1,534, had not been transferred to a debt service fund as required. Instead, the Treasurer transferred the funds to the general fund and told us that the unexpended funds were applied to the Village's principal and interest payment related to the debt during the 2010-11 fiscal year. However, because the Village did not maintain adequate accounting records and commingled funds, we could not verify this.

Without a proper close-out of projects, the Board cannot determine the total cost of each project or be assured that any remaining balances are properly disposed of.

The failure of the Board to properly authorize, monitor, oversee, and close projects can result in projects being overspent or project funds being used for purposes other than intended. It is especially important for the Board to properly monitor and oversee projects because the Village is currently in the process of completing a railroad station restoration project, which has a budget of \$987,500.

Accounting for Projects

Complete and accurate accounting records for projects are necessary for project management and proper financial reporting. Because projects are budgeted on an individual project basis, and legal and contractual requirements may vary from one project to another, an individual project fund should be established for each authorized project with corresponding individual accounting records maintained for each. The Treasurer must keep project records in a manner that allows a ready comparison of the project's budget – as initially authorized (and if subsequently amended) by Board action – to actual resources received and expenditures incurred throughout the course of each project. The Treasurer is also responsible for maintaining financial records for each project with sufficient information to document the project's complete financial history and establish accountability for resources provided for a particular purpose.

The Village did not have adequate recordkeeping procedures to account for and monitor all project resources and expenditures. Our

review of a sample of 10 projects¹⁰ found that the Treasurer did not maintain individual accounting records for nine of them. The railroad station restoration project was the only project accounted for in its own individual project fund. Two of the other nine projects were accounted for, together with other projects outside of our sample, in the Village's capital projects fund. The remaining seven projects were accounted for, and combined with, other projects in the Village's community development fund. Additionally, we determined that expenditures related to certain projects were also being recorded in the general fund. Due to these recordkeeping deficiencies, the Treasurer could not readily extract data on the financial activity of each individual project.

The Treasurer also commingled the financing sources from all projects into the Village's multi-fund checking account, which is a commingled bank account that is used to issue all accounts payable checks and deposit all cash receipts for the Village's general, recreation, water, sewer, electric, and public library funds. We reviewed all 15 project cash receipts totaling \$401,106 that the Village received from proceeds from obligations or State and Federal grants during our audit period to verify that they were credited to the appropriate project. However, since the Treasurer maintained individual accounting records only for the railroad restoration project, we could verify only that the five cash receipts totaling \$84,654 related to this project during our audit period were properly credited. As a result, Village officials have no assurance that the 10 other project cash receipts, totaling \$316,452, were credited to the appropriate project.

The Treasurer's failure to maintain individual accounting records for all of the Village's projects prevented the Board from being able to properly monitor the projects or determine the financial condition of each project. The Treasurer did not maintain individual accounting records for each project because he did not believe it was necessary. Commingling cash without maintaining accurate records and accountability over each project's cash balance increases the risk that one project's cash could incorrectly be used to finance another project's or fund's operations. Without a reliable basis for Village officials to monitor the financial activity of projects and make informed financial decisions, the Village is at risk of over-expending projects without identifying and addressing these over-expenditures in a timely manner.

Interfund Advances

GML allows the Treasurer to temporarily advance moneys held in one fund to another fund. However, the Treasurer must maintain suitable

¹⁰ This is the same sample that we reviewed for Board resolutions, as previously described.

records, and the Board must authorize each advance by resolution. Interfund advances are used for short-term borrowing between funds and may be necessary for projects that are funded by grant proceeds and require expenditures to be incurred prior to receiving grant reimbursements. These advances should be paid back immediately upon receipt of the grant proceeds, and no later than the end of the fiscal year in which the advance was made.

The Village's commingling of funds enabled the capital projects, community development, and railroad station restoration funds to use available cash from the Village's operating funds without the Board's approval or the Treasurer formally recording those advances. Instead of reporting that a project had no cash balance and establishing an interfund liability when performing interfund advances, the Treasurer allowed these three funds' cash accounts to be recorded as a negative balance without identifying the fund to which cash was owed. The Mayor and Trustees indicated that they were not aware of the negative cash balances in these funds because the Treasurer did not provide his monthly cash reconciliation reports to the Board. We reviewed all of the Treasurer's monthly cash reconciliation reports for the period June 1, 2008 through May 31, 2011 and found that, at various times during this three-year period, the three funds incurred significant negative cash balances.¹¹

The Treasurer's monthly cash reconciliation report as of May 31, 2011 showed that the community development fund had a negative cash balance of \$238,558 and the railroad station restoration fund had a negative cash balance of \$64,385.¹² We reviewed all of the active projects that were accounted for in these two funds to determine if there were grant proceeds still outstanding that the Village was eligible to be reimbursed (that is, moneys not yet received). We found that there were outstanding grant proceeds totaling \$62,715 for the community development fund and \$64,385 for the railroad station restoration fund.

While the railroad restoration fund's entire deficit would be eliminated by the pending grant proceeds, the community development fund still has a deficit of \$175,843 and therefore cannot repay the advances that were informally made. Because the Village's records did not properly account for interfund advances made to individual projects, and many projects had been completed prior to our audit, it was not possible

¹¹ For the capital projects fund, the lowest negative cash balance of \$248,610 occurred in December 2009; for the community development fund, the lowest negative cash balance of \$906,477 occurred in September 2008; and for the railroad station restoration fund, the lowest negative cash balance of \$64,385 occurred in May 2011.

¹² The capital projects fund had a \$0 cash balance as of May 31, 2011.

to identify the exact cause of the \$175,843 deficit. Whether projects were over-expended and/or interfund transfers were not made for the general fund's budgeted portion of the project financing, the general fund is responsible for providing the funds to offset the deficit in the community development fund.

The Board's and Village officials' overall lack of oversight has resulted in an \$175,843 deficit in the community development fund, which will negatively affect the Village's financial condition when the general fund is charged for that deficit. During the time of our audit the Village had not closed the books for the fiscal year ending May 31, 2011 and could not provide us an estimate for the general fund's year-end fund balances. However, if the general fund retained the approximately \$600,000 of unreserved fund balance reported at the close of the prior fiscal year, transferring \$175,843 to the community development fund will eliminate almost one-third of that balance and potentially cause cash flow concerns for the Village.

Recommendations

3. The Board should adopt a resolution at the inception of each project that identifies the project, authorizes the maximum estimated cost, and establishes how the project will be financed.
4. The Treasurer should provide the Board with periodic reports that compare actual revenues and expenditures to the amounts budgeted for each project. The Board should use these reports to ensure that funds are available and expenditures are kept within the limits of the project's authorization.
5. The Board should conduct a thorough and deliberate audit of claims prior to approving them for payment. The Board should ensure that claims are properly supported by adequate documentation and are within the constraints of the corresponding project resolution and/or grant agreement.
6. The Board should adopt a resolution to close projects upon their completion and ensure that the Treasurer properly disposes of any unexpended funds.
7. The Treasurer should maintain individual accounting records for all projects and ensure that funds related to those projects are properly segregated.
8. The Board should approve all interfund advances and the Treasurer should ensure that they are properly recorded in the accounting records.
9. The Board should develop a plan to eliminate the \$175,843 deficit in the community development fund.

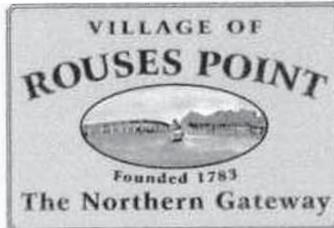
APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

MAYOR
George A. Rivers

TRUSTEES

Brian B. Jefferson
Francis J. Baker
Dennis F. Roberts
Kelly A. Penfield



VILLAGE
CLERK
Carol A. Hanfield

VILLAGE
TREASURER
Arsene F. Letourneau

Website: www.rousespointny.com

January 18, 2012

Mr. Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
Division of Local Government & School Accountability
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801-4396

Re: Internal Controls over Selected Financial Operations (Audit 2011M-232)

Dear Mr. Leonard:

The Village of Rouses Point is in receipt of the above draft audit report for the period June 1, 2009 – May 31, 2011. This letter is the Village's response to the draft report and is submitted to you within the required thirty (30) days from the date of the report.

The Village of Rouses Point is following its own "Procurement Policy and Procedures" more closely with regards to competitive bids for purchase and public works contracts and for state contract purchasing. This policy was revised and amended by the Board of Trustees on October 4, 2010 and distributed to responsible parties, and is reviewed annually at its organizational meeting.

The Village of Rouses Point is implementing procedures that will modify what is currently followed for approving and completing capital projects. This includes the following: 1) adopting a resolution, identifying each project, cost and source of financing; 2) periodic reports from the Treasurer to help in monitoring the financial status of the project; 3) adopting a resolution upon the closure of the project; 4) each project will have its own set of accounting records in its own "fund" and 5) the Board will approve all interfund advances.

The draft audit report provided eight recommendations and we are in agreement with those recommendations. The Village of Rouses Point will implement those recommendations in a detailed corrective action plan to be submitted to the PSU – Submission office within the required ninety (90) days.

We would like to thank you and your staff for their professionalism and help in improving and moving forward the Village's operations and internal controls in a positive manner.

Sincerely,

George A. Rivers
Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review the Village's internal controls over selected financial operations. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following:

For Procurement:

- We interviewed Village officials and employees responsible for procuring goods and services and reviewed the Village's procurement policy to gain an understanding of the Village's procurement procedures.
- We reviewed a sample of 15 purchases that were required to be competitively bid to determine if the Village procured goods and services in compliance with GML. We selected the sample by identifying vendors from which purchases were made that required competitive bids, and used the first 15 vendors on this list.
- We compared the price paid by the Village for three vehicles that were not procured in compliance with GML to the applicable State contract price to determine if the Village's purchase price was equal to State contract pricing. Since one of the vehicles included a trade-in allowance, we compared the Village's purchase price to the State contract price less the average suggested trade-in value that we calculated. We calculated the trade-in value by taking the average of the amounts listed for a clean trade-in and a rough trade-in,¹³ which we obtained from a recognized car appraisal website, based on data that Village officials provided about the vehicle that was traded in.

For Capital and Community Development Projects:

- We interviewed Village officials and the Village's community development consultant and reviewed various financial records for projects to gain an understanding of the Village's monitoring and accounting procedures for projects.
- We reviewed the Board minutes for a sample of 10 projects that were active during our audit period to determine if the Board adopted a resolution at the inception of each project that identified the project, authorized the maximum estimated cost, and established how the project would be financed.
- We assessed the adequacy of the monthly project reports provided to the Board.
- We reviewed a judgmental sample of 20 project claims to determine if they were supported by adequate documentation and were approved by the Board prior to payment. We selected the

¹³ "Clean" and "rough" are trade-in classifications based on the condition of the vehicle.

sample by first identifying all claims related to projects that were paid by the Village during our audit period. We then selected 20 claims based on the amount and payee.

- We reviewed a judgmental sample of 20 purchases to determine if they were made within the constraints of the corresponding project resolution and/or grant agreement. We selected the sample by first identifying all purchases that were made by the Village related to projects during our audit period. We then selected 20 purchases based on the amount and payee.
- We reviewed the Board minutes for the four projects that were completed during our audit period to determine if the Board adopted a resolution closing the projects at their completion. Additionally, we reviewed the project files for the four projects, the Village's accounting records, and bank statements to verify that any remaining balances were properly disposed of.
- We reviewed the Village's accounting records for a sample of 10 projects that were active during our audit period to determine if the Treasurer maintained adequate accounting records for each project.
- We reviewed the Village's accounting records and bank statements to verify that the 15 project cash receipts received by the Village from proceeds of obligations or State and Federal grants during our audit period were credited to the appropriate project.
- We reviewed all of the Treasurer's monthly cash reconciliation reports for the period June 1, 2008 through May 31, 2011 to determine the largest negative cash balance recorded for the capital projects, community development, and railroad station restoration funds during this period.
- We reviewed the Treasurer's monthly cash reconciliation report as of May 31, 2011 to determine the amount of the negative cash balance for the community development and railroad station restoration funds. We then reviewed the project files for all of the active projects that were accounted for in these two funds, the Village's accounting records, and bank statements to determine if there were grant proceeds that the Village was eligible to be reimbursed to offset the negative cash balances.

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

APPENDIX C

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Nathalie N. Carey, Assistant Comptroller

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