# Fiscal Oversight Responsibilities of the Governing Board

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## **Overview**

- · Fiscal Responsibilities
- · Fiscal Profile
- Developing Policies
- Budgeting Practices
- Monitoring Fiscal Operations
- · Auditing the Claims
- Annual Audit Requirements
- · Corrective Action Plans
- · Additional Resources





# What Does Fiscal Accountability Mean to a Governing Board?

 Being responsible for the general management and control of municipal finances.



# **Governing Board** Responsibilities

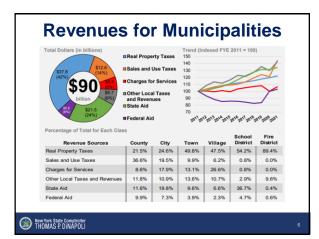
- Set the tone "Tone at the Top"
- · Develop and review major policies
- Adopt and monitor the budget
- Use monthly reports to make budget modifications as necessary
- · Ensure the audit of claims
- · Meet annual audit requirements

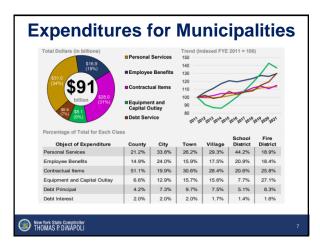


## **Know Your Fiscal Profile**

- Where does money come from?
- · Where does it go?
- How fast are revenues and expenditures growing?
- · In which categories?
- · What are the trends?







# **Developing Policies**

- Develop and formally adopt policies that establish control procedures and other requirements for daily financial and other operations.
  - Customized to meet municipalities' needs
  - Reviewed periodically
  - Communicated and reinforced



# **Policies Required by Law**

- Code of Ethics General Municipal Law §806
- Deposits and Investments General Municipal Law §39
- Procurement General Municipal Law §104(b)
- Workplace Violence Prevention Labor Law, Article 2 §27-b
- Sexual Harassment Prevention Executive Law, Article 15
- Breach Notification State Technology Law §208
- State Emergencies Involving Public Health Labor Law §27-c



# Other Policies for Operations

- · Wire Transfer and Online Banking
- · Travel and Conference
- Credit Card
- · Computer Use
- Electronic Device/Cell Phone Use
- · Capital Asset Control



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# **Budget Practices**

#### Maintain an open budget process.

- Know your budget calendar deadlines.
- · Identify the step-by-step procedures.
- · Follow all statutory requirements.
  - Initial budget requests
  - Public hearings
  - Adoption of budgets
- · Budgets should follow long-term plans.



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# **Monitoring the Budget**

- The Board needs to ensure that controls are in place by using:
  - A purchase order system or alternative method;
  - An encumbrance system; and
  - Budgetary reports.
- Understanding appropriations and the legal level of control

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# **Modifying the Budget**

- It is the Governing Board's responsibility to make budget modifications by <u>Board</u> <u>resolution</u>.
  - Transferring between appropriations
  - Appropriating available fund balance
  - Appropriating grants, insurance recoveries, gifts
  - Reduction of appropriations
- Significant revenue shortfalls may result in deficit financing.

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## **Monitoring Fiscal Operations**

- Interim reports should provide the board with timely information on such issues as:
  - Financial position,
  - Results of operations,
  - Budget status,
  - Policy compliance,
  - Service or project costs,
  - Performance measures, and
  - Legal compliance matters.



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## **Monitoring Fiscal Operations**

- Each adopted policy can and should address the timing and content of periodic reports so board members can exercise proper fiscal oversight.
- Using interim reports effectively may cause the need for budget modifications.



## **Monthly Reports**

- The Governing Board should review:
  - A detailed statement of all money received and disbursed:
  - Budget status reports;
  - Cash flow statements; and
  - Any other reports deemed necessary.



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## **Budget Status Reports**

- · Will assist the Board with:
  - Controlling expenditures;
  - Monitoring progress;
  - Identifying variances; and
  - Correcting identified problems.



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# **Budget Status Reports**

- Budgetary reports should be:
  - Completed for all major operating funds;
  - Prepared monthly;
  - Distributed to all department heads; and
  - Reviewed with department heads.



(A) Revenues	(B) Actual Last Year 12 Months	(C) Current Budget 12 Months	(D) Actual To-Date 6 Months	(E) Current Variances D - C (Unfavorable)	(F) Projected for Year 12 Months	(G) Projected Variance F - C (Unfavorable
Property Taxes	\$ 215,000	\$ 220,000	\$ 220,000	\$ 0	\$ 220,000	\$ 0
State Aid	310,000	325,000	175,000	(150,000)	350,000	25,000
User Charges	14,000	17,000	9,000	(8,000)	18,000	1,000
Departmental Income	27,000	30,000	17,000	(13,000)	35,000	5,000
Sales Tax	245,000	270,000	100,000	(170,000)	200,000	(70,000)
Federal Aid	17,000	25,000	10,000	(15,000)	17,000	(8,000)
Interfund Transfers	0	0	0	0	0	0
Other						
Total Revenues	828,000	887,000	531,000	(356,000)	840,000	(47,000)
Expenditures						
General Government	120,000	142,000	80,000	62,000	130,000	12,000
Public Safety	280,000	300,000	162,000	138,000	315,000	(15,000)
Health	17,000	19,000	7,000	12,000	15,000	4,000
Transportation	255,000	272,000	145,000	127,000	280,000	(8,000)
Economic Assistance	14,000	12,000	18,000	(6,000)	22,000	(10,000)
Home and Community	30,000	37,000	21,000	16,000	43,000	(6,000)
Employee Benefits	29,000	42,000	24,000	18,000	52,000	(10,000)
Debt Service	94,000	63,000	30,000	33,000	63,000	0
Other						
Total Expenditures	\$ 839,000	\$ 887,000	\$ 487,000	\$ 400,000	\$ 920,000	\$ (33,000)

## **Cash Flow Statements**

- Help identify timing of revenues/ expenditures.
- Can assist the Governing Board with identifying potential cash problems and cash available for investing.
- The Board needs to ensure that available funds are invested in accordance with adopted investment policy and applicable laws.

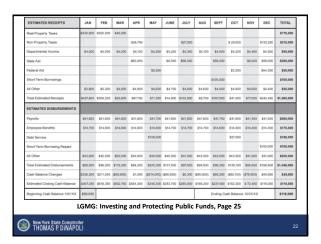


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# Cash Flows – Major Revenue Sources

- Real Property Taxes, Sales Tax and Mortgage Recording Taxes
- General Purpose State Aid (AIM), CHIPS reimbursements (highway aid) and other State and Federal Aid programs for Education, Social Services, Health Services and Transportation
- · Charges for services and user fees
- · Intergovernmental charges





# Other Special Purpose Reports

- Construction
- Procurement
- Personnel
- · Receivables
- · Other reports



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# **Auditing the Claims**

- · Why audit claims?
- · Legal requirements
  - County Law Section 369
  - City Charter
  - Town Law Sections 119, 176(4-a)
  - Village Law Section 5-524
  - Education Law Sections 1724, 2524



## **Auditing the Claims**

- · Why audit claims?
- · To ensure that:
  - Claims are for valid and legal purposes;
  - Claims are incurred by authorized officials;
  - Goods are received/services are rendered;
  - Appropriations are available; and
  - Proper documentation exists.

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## **Annual Audit Requirements**

### **Appendix B**

- · Why do an annual audit?
- · Legal requirements
  - Town Law Sections 123, or 34[1] (if Comptroller)
  - Town Law Section 177 (Fire Districts)
  - County Law Section 210
  - Village Law Section 4-408(e)
  - City Charter and/or enacted local legislation
  - Unified Justice Court Act, Section 2019-a
    - Town and Village Justice Courts



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# **Annual Audit Requirements**

#### **External Audit Requirements**

- · School Districts and BOCES
  - Education Law Section 2116-a(3)(a) and 8NYCRR Sections 170.12(e)(1) and 170.3(a) require that all school districts, except those employing fewer than eight teachers, obtain an annual independent audit by an outside CPA or PA.
- · Fire Districts
  - Town Law Section 181-b requires an annual audit by an independent CPA or an independent PA if the district has revenues of \$400,000 or more.



# **Annual Audit Requirements**

#### **External Audit Requirements**

- · Length of Service Award Programs (LOSAPs)
  - General Municipal Law Section 219-a requires the sponsor or designated program administrator of a LOSAP to obtain an annual audit of its records by an independent CPA or an independent PA.
- Single Audit Requirements
  - A local government that expends \$500,000 (\$750,000 for fiscal years beginning on or after January 1, 2015) or more in federally awarded funds in its fiscal year is required to have an audit, conducted by an external auditor, in accordance with the provisions of the federal Single Audit Act and the reporting and filing requirements of the federal Office of Management and Budget Circular A 133.

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## **Annual Audit Requirements**

- Why do an annual audit?
  - Provides oversight
  - Ensures proper handling of public money
  - Identifies improvement opportunities
  - Provides forum to express concerns



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## **Audit Objectives**

- · Records are complete and up-to-date
- · Transactions are recorded properly
- Accountability is computed monthly
- Required reports are made accurately and in a timely manner
- · Financial results are known



# **How to Begin?**

- Understand operations.
- Visit properties and points of cash collections.
- · Learn what records are maintained.
- · Learn what reports are produced.
- Use the OSC checklists.
  - Appendices C through G

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### What Will You Need?

- · Bank account reconciliations
- · Cash receipts and supporting records
- · Cash disbursements and supporting records
- · Annual and interim financial reports
- · Inventories
- · Investment records
- · Payrolls and supporting records
- · Other pertinent financial information

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Review of Chief Fiscal Office	er	's	Records
Cash Reconciliations	YES	<u>NO</u>	
Are bank accounts reconciled?  By Whom! How Often? How Often?  Who Reviews Terifies Them?	0		
Is the bank reconciliation performed by a person whose job duties do not include maintaining either the cash receipts or disbursements journals or receiving or disbursing each?			
Is the bank reconciliation performed timely after the bank statement is received?			
Last Bank Reconciliation for Each Bank Account	1		
Bank Account Date Performed Month Ending			
Are reconciliations documented and available for review?	4		
Does the reconciled bank balance agree with the cash balance recorded in the	-		
accounting records?			
Receivables	YES	NO	
Are receivable control accounts maintained?	0		
Is there indication that the receivable control accounts are reconciled to the detail subsidiary records?	П		
Investment Records	YES	NO	
Is an investment record maintained?			
Is the record complete and up-to-date?			Appendix C,
Deposit Protection	YES	NO	Page 27
Has the bank pledged adequate, eligible securities to protect deposits and investments (under the custody of the chief fiscal officer) that exceed FDIC immunec protection.			
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Indebtedness Records (This record is maintained by the clerk in certain local governments)	YES	NO	
Is an indebtedness register maintained?	п	п	
Is the register complete and up-to-date?	0		
Property Records	YES	NO	
Are property records maintained?	п	п	
Are the records up-to-date?	0	П	
Are all fixed assets included in the records?	П	П	
Are physical inventories taken and compared to the records?			
Financial Reporting	YES	<u>NO</u>	
Are interim reports (budget/actual; trial balances; etc.) prepared?	п	п	
Are the reports distributed to the governing board and department heads?	0	п	
Does total year-end recorded cash agree with that reported in the annual financi report?	ıl 🛮		
Payrolls	YES	NO	
Are payrolls certified/approved by the appropriate official?	п	п	
Are pay rates in accordance with collective bargaining agreements and other lawful employment contracts, or board resolutions?	0		
Is leave time accounted for?			
Comments and Conclusions			Appendix C, Page 28

# **Corrective Action Plans (CAPs)**

- CAPs provide an opportunity for the Governing Board to communicate how audit findings and recommendations will be used positively to improve operations and internal controls.
- The Governing Board's oversight of the CAP process is important because it sends a positive message to the public and to employees about the "tone at the top" regarding the Board's commitment to safeguarding assets and making government operations more effective.

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## **Audit Concerns**

- Discuss them with the officer/department head whose claims/records are being audited.
- If concerns still exist, contact OSC:
  - Regional Office
  - localgov@osc.ny.gov
- OSC Fraud Hotline
  - 1-888-672-4555 weekdays, 9:00 a.m. to 5:00 p.m.
  - investigations@osc.ny.gov



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## **Additional Resources**

### Appendix A

- Policies
  - Seeking Competition in Procurement
  - Investing and Protecting Public Funds
  - Code of Ethics
  - Data Breach Notification
- Budgeting
  - <u>Understanding the Budget Process</u>
- Audit Requirements
  - Improving the Effectiveness of Claims Auditing Process
  - Responding to an OSC Audit Report



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## **Questions?**

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