



Town of Stratford

Supervisor's Records

Report of Examination

Period Covered:

January 1, 2011 — May 31, 2012

2013M-11



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2013

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 Stratford, entitled Supervisor's Records. 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*

Introduction

Background

The Town of Stratford (Town) is located in Fulton County (County) and has a population of 610 residents. The Town provides various services, including road maintenance, snow removal, fire protection and general government support. The Town's budgeted expenditures for the 2012 fiscal year totaled approximately \$405,000 for the general fund and \$580,000 for the highway fund which were funded primarily by sales tax, real property taxes, and State aid.

An elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four Council members, governs the Town. The Supervisor serves as the Town's chief executive officer and chief fiscal officer. The Supervisor annually appoints a bookkeeper to maintain the Supervisor's accounting records, produce various financial reports, make non-payroll disbursements, and perform other duties under the direction of the Supervisor.

Objective

The objective of our audit was to review the Supervisor's accounting records. Our audit addressed the following related question:

- Are complete and accurate records maintained by the Supervisor?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on the area most at risk. Our initial assessment included evaluations of the following areas: financial condition and control environment, cash receipts and disbursements, cash management, justice court operations, purchasing, payroll and personal services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the Supervisor's records area and, therefore, we examined Town's accounting records maintained by the Supervisor for the period January 1, 2011, to May 31, 2012.

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

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 to make this plan available for public review in the Clerk's office.

Supervisor's Records

The Town's financial data must be complete, accurate and up-to-date to be relevant and useful for managing Town operations. Town Law requires the Supervisor, as chief fiscal officer, to maintain a complete and accurate account of the receipt and disbursement of all Town moneys. If the Supervisor assigns these duties to a bookkeeper, the Supervisor must provide sufficient oversight of the bookkeeper to ensure that suitable records are maintained to record financial information accurately and on a timely basis. The Board must also annually audit, or cause to be audited, the records and reports of officers and employees who receive or disburse moneys on behalf of the Town.

The Supervisor assigned his accounting duties to a bookkeeper. We reviewed the accounting records maintained by the bookkeeper to ensure that the records were complete and accurate and to ensure that transactions were properly accounted for. We also reviewed the Town's financial reports to ensure that they were supported by the accounting records. Except for some minor exceptions, which we discussed with Town officials, we found that the accounting records were accurately maintained and the financial information included in the annual update document (AUD) filed with the Office of the State Comptroller was supported by the accounting records.

We did not find evidence in the 2011 and 2012 Board minutes that the Board audited the accounting records of the Supervisor for the 2010 and 2011 fiscal years. Furthermore, there was no indication that the Board had solicited the professional services of an independent public accountant to perform an audit of the records. The Board's failure to perform an annual audit of the Supervisor's records, or cause the records to be audited, diminishes the Board's management oversight authority and its ability to effectively monitor the Town's financial operations in a timely manner. Also, it increases the risk that Town funds could be mishandled.

Recommendation

1. The Board should audit the Supervisor's records and reports annually by January 20th of the following year, or engage the services of a certified public accountant or public accountant to conduct the audit.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF STRATFORD

Fulton County

Robert E. Johnson Jr., Supervisor

PO Box 218

Stratford, New York 13470

Phone: (315) 429-3598 Fax: (315) 429-0527

To: Jeff Leonard
Office of the N.Y.S. Comptroller
Local Government and School accountability.

Sir,

The Town Board met and reviewed the findings from the auditor of the office of N.Y.S. Comptroller and we are in agreement with the recommendations and plan to implement, these requirements that were to help our Town to move forward in a more efficient capacity. The Town Board adopted the necessary resolutions to implement the corrections, and they are on file. We thank you for you help and look forward to continue to improve the quality of government efficiency.

Sincerely,

Robert E. Johnson Jr.
Town of Stratford Supervisor.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the 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 and control environment, cash receipts and disbursements, cash management, justice court operations, purchasing, payroll and personal services, and information technology.

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions and reviewed pertinent documents, such as Town policies and procedures manuals, Board minutes, and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected the Supervisor's records for further testing.

To accomplish our audit objective and obtain valid evidence, our procedures included the following:

- We analyzed trends and changes in the accounts assigned to record interfund loan activity for the 2011 and 2012 fiscal years.
- We reviewed the trends of the interfund loan accounts for the period 2007 through 2011 to gain a historical perspective.
- We analyzed various general journal entries in the Town's accounting records for the 2011 and 2012 fiscal years and verified their accuracy.
- We reviewed the Board meeting minutes.

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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DIVISION OF LOCAL GOVERNMENT
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