



# Town of Worth Financial Operations

## Report of Examination

Period Covered:

January 1, 2013 — May 31, 2014

2014M-323



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**

February 2015

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Worth, entitled 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 New York State General Municipal Law.

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

Respectfully submitted,

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



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Town of Worth (Town) is located in Jefferson County and had a population of 231 as of the 2010 Census. The Town is governed by an elected five-member Town Board (Board), which comprises four Board members and the Town Supervisor (Supervisor). The Board is responsible for adopting and setting policies that provide oversight of Town operations. The Supervisor serves as the chief executive officer and chief fiscal officer and is responsible for the Town's day-to-day operations.

The Town's 2014 budget included combined general and highway fund appropriations of approximately \$312,000 and a tax levy of \$161,000.

### **Scope and Objective**

The objective of our audit was to review the Town's financial operations for the period January 1, 2013 through May 31, 2014. Our audit addressed the following related questions:

- Did the Supervisor properly maintain the Town's accounting records and reports?
- Did the Board adequately oversee the Town's financial activity and condition?

### **Audit Results**

The Supervisor did not maintain accounting records. Specifically, general ledgers, receipt and disbursement journals, subsidiary revenue and expenditure ledgers and cash account balances were not maintained. As a result, the Supervisor was unable to prepare monthly bank reconciliations or provide the Board with complete and reliable financial reports.

Additionally, 88 disbursements totaling approximately \$68,300 were made either without proper supporting documentation or Board authorization, and an accurate 2013 annual financial report was not filed with the Office of the State Comptroller. As a result, the Board cannot effectively monitor the Town's financial operations, and there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

Further, the Board did not adequately oversee the Supervisor's financial duties to properly monitor and manage financial operations and assess the Town's financial condition. The Board also did not annually audit the Supervisor's records or develop and implement policies and procedures over its budgeting practices and the level of fund balance to maintain.

As a result, cash<sup>1</sup> at the end of 2013 totaled \$689,998, more than twice the 2014 Board-adopted budget and the Board may have raised more real property taxes than necessary to finance Town operations.

Finally, the Town purchased an engine for a highway vehicle from the Highway Superintendent for \$1,300, which created a conflict of interest.

### **Comments of Local Officials**

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.

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<sup>1</sup> Under a cash basis of accounting, financial transactions are only recorded in the accounting records when cash is received or disbursed, so each fund's cash essentially equals its fund balance.

# Introduction

## Background

The Town of Worth (Town) is located in Jefferson County (County) and had a population of 231 as of the 2010 Census. The Town is governed by an elected five-member Town Board (Board), which comprises four Board members and the Town Supervisor (Supervisor). The Board is responsible for adopting and setting policies that provide oversight of Town operations. The Supervisor serves as the chief executive officer and chief fiscal officer and is responsible for the Town's day-to-day operations.

The Town provides various services to its residents, including road maintenance and improvements, snow removal, fire protection and general government support. These services are financed mainly by real property taxes, sales tax, revenues from snow removal services provided to the County and State aid. The Town's 2014 budget included combined general and highway fund appropriations of approximately \$312,000 and a tax levy of \$161,000.

## Objective

The objective of our audit was to review the Town's financial operations. Our audit addressed the following related questions:

- Did the Supervisor properly maintain the Town's accounting records and reports?
- Did the Board adequately oversee the Town's financial activity and condition?

## Scope and Methodology

We examined the Town's financial operations for the period January 1, 2013 through May 31, 2014.

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 is 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 Town Clerk's office.

## Supervisor's Records and Reports

The Town's financial data must be complete, accurate and current to appropriately manage Town operations. The Supervisor, as chief fiscal officer, is responsible for performing basic accounting functions, including maintaining accounting records, performing monthly bank reconciliations, providing monthly financial reports to the Board and filing an annual financial report (AUD) with the Office of the State Comptroller (OSC). The AUD provides a summary of Town annual financial information which should agree with and be supported by the accounting records.

The Supervisor did not maintain accounting records or prepare bank reconciliations. Consequently, the Supervisor was unable to provide the Board with the complete and reliable financial reports needed to monitor Town financial operations. Additionally, 88 disbursements totaling approximately \$68,300 were made either without proper supporting documentation or Board authorization, and an accurate 2013 AUD was not filed with OSC. As a result, the Board cannot effectively monitor the Town's financial operations, and there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

### Accounting Records

The Supervisor is responsible for maintaining adequate accounting records that allow useful periodic and annual reports to be provided to the Board for its review. It is essential for the Supervisor to have an effective accounting system in place to allow recording all Town transactions and provide accurate reports to the Board, so that it can effectively exercise its oversight responsibility.

Towns must account for all money received and disbursed through separate funds.<sup>2</sup> Adequate accounting records consist of journals, ledgers and other financial documents that provide a record of all transactions and account balances in a timely manner. In addition, the Supervisor should perform monthly bank reconciliations to ensure the timely identification and investigation of differences between cash balances recorded in the accounting records and the bank balances.

The Supervisor did not maintain records to account for all money received and disbursed through separate funds and by individual accounts. She did not maintain a general ledger, receipt and disbursement journals, subsidiary revenue and expenditure ledgers or any cash control accounts that show cash transactions and balances.

<sup>2</sup> Each fund is a fiscal accounting entity with a self-balancing set of accounts.



As a result, the Supervisor was unable to prepare monthly bank reconciliations, because there were no cash accounts available to compare with the bank statement balances.

Although the Supervisor has a computerized accounting system, she used it solely to print Town checks. The Supervisor had difficulty maintaining the Town's accounting records partly because she lacked knowledge about how to use the financial software. The Supervisor was also unsure how to create an alternative (i.e., manual) accounting system to maintain the Town's accounting records.

To address these risks, we identified known revenues received by the Town, totaling approximately \$1 million, and traced the related receipts to deposits in the Town's bank accounts. We reviewed all bank transfers and electronic withdrawals to determine if they were for a valid Town purpose. We also reviewed the Supervisor's salary and all payroll check disbursements during our audit period to determine if payments were made in accordance with Board-approved salaries and pay rates. We found no significant discrepancies.

In addition, we examined all non-payroll cash disbursements during our audit period, totaling approximately \$409,000, to determine if they were properly authorized, for a valid Town purpose and paid after Board authorization.<sup>3</sup> We found that 57 payments totaling about \$34,600 were not properly authorized, because they were not listed on an abstract of audited claims,<sup>4</sup> indicating Board approval. These payments were primarily for utility bills, phone bills and other miscellaneous costs. In addition, we found that 30 payments (primarily for health insurance) totaling about \$32,400 were paid prior to Board approval.<sup>5</sup> Except as authorized by law, the Supervisor should ensure that no claims are paid unless they are approved by the Board. We also found one payment to the highway superintendent for \$1,300<sup>6</sup> that lacked itemized supporting documentation.

Because no accounting records were maintained, the Supervisor was unable to generate financial reports that accurately showed the Town's financial position and allowed the Board to effectively monitor Town financial operations.

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<sup>3</sup> With few exceptions, New York State Town Law (Town Law) requires the Board to approve all claims before the Supervisor can disburse payment. The Board can authorize, by resolution, the payment of certain claims in advance of audit, including those for public utility services, postage and freight, and express charges. However, these claims must be presented to the Board for audit after payment.

<sup>4</sup> An abstract lists each individual claim and it directs the Supervisor to pay the Board-authorized amounts.

<sup>5</sup> All 30 claims were later included on an abstract presented to the Board for its approval.

<sup>6</sup> See Conflict of Interest for more information concerning this payment.

## Monthly Reports

According to Town Law, the Supervisor is required to provide the Board with a detailed statement of all money received and disbursed during the month. Good management practices also require the Supervisor to provide the Board with monthly financial reports showing cash balances, monthly bank reconciliations and budget-to-actual results for revenues and expenditures. Such a report would allow the Board to effectively monitor Town operations by comparing actual revenue and expenditure results with the amounts budgeted. Detailed financial reports also enhance the Board's ability to oversee financial activities.

Although the Supervisor provided the Town Clerk (Clerk) with monthly reports summarizing receipts and disbursements by fund, she did not provide these reports to the Board and stopped preparing these reports at the end of 2013. In addition, because the Supervisor did not maintain detailed accounting records or reconcile the Town's bank accounts, she did not provide the Board any other monthly financial reports showing the budgeted amounts compared with actual results or reconciled bank balances.

The Supervisor told us she did not realize she needed to provide these types of financial reports to the Board. Additionally, we found no indication the Board requested any financial reports from the Supervisor. Furthermore, based on our review of all the 2013 reports the Supervisor provided to the Clerk, we question whether they would have been useful for the Board, because not all monthly receipts and disbursements were always included.

The Supervisor's failure to provide complete and reliable financial reports hindered the Board's ability to make informed decisions, oversee financial activities and monitor the Town's budget. It has also likely contributed to the Town accumulating excessive cash balances and to real property tax levies that were greater than necessary to fund operations.<sup>7</sup>

## Annual Reports

Town Law requires the Supervisor to prepare and file an annual financial report with the Clerk within 30 days after the end of the fiscal year. In lieu of this report, the Board may authorize the Supervisor to file a copy of the Town's AUD with the Clerk. The AUD is an important document that allows management and the general public to assess the Town's financial operations and financial condition. Because the AUD is based on the accounting records, it is critical that the records are accurate and current.

The Supervisor filed the AUD with OSC; however, it was not filed with the Clerk as required or presented to the Board for review. In

<sup>7</sup> See Board Oversight, Budgeting Practices and Financial Condition

addition, we found that the 2013 AUD included several inaccuracies. For example, cash balances reported were less than our reconciled balances as of December 31, 2013 by \$11,109, a \$26,335 certificate of deposit that matured in 2013 was incorrectly reported as a revenue and total employee health insurance cost was underreported by \$10,791. The lack of accounting records contributed to the Supervisor inaccurately reporting the Town's financial information in the AUD. As a result, the Board and public do not have a reliable summary of Town financial activities and the Board's ability to monitor Town fiscal affairs is diminished.

## **Recommendations**

The Supervisor should:

1. Maintain accurate, complete and up-to-date accounting records.
2. Pay only those claims that have been audited and approved for payment by the Board, except where allowed by law.
3. Provide the Board with monthly reports that include an accounting of all cash receipts and disbursements, cash balances and budget-to-actual results for each fund.
4. Submit accurate annual financial reports to OSC, the Clerk and the Board and ensure that the reports are fully supported by the accounting records.

## Board Oversight

The Board is responsible for the Town's financial management and safeguarding its resources. To fulfill these duties, it is essential that the Board establish internal controls to help ensure that the work performed by those involved in the financial operation is routinely monitored and reviewed. Additionally, financial transactions should be properly recorded and executed in accordance with the Board's authorization. Adequate financial reports should be provided to the Board and realistic annual budgets should be adopted. Finally, the Board should ensure that Town officials comply with all applicable laws, rules and regulations, including General Municipal Law (GML) provisions relating to conflicts of interests.

The Board did not adequately oversee the Supervisor's financial duties to properly monitor and manage financial operations and assess the Town's financial condition. Additionally, the Board did not annually audit the Supervisor's records. Further, the Board did not develop and implement policies and procedures relating to budgeting practices and the level of fund balance to maintain. As a result, cash at the end of 2013 totaled \$689,998 or more than twice the 2014 Board-adopted budget. Finally, the Highway Superintendent (Superintendent), in his private capacity, conducted business with the Town, which created a conflict of interest. As a result of these deficiencies, Town assets are at risk for misuse or loss, Town officials do not know the Town's true financial condition and accountability over the Town's financial resources is diminished.

### Annual Audit

Town Law requires the Board annually to audit the Supervisor's books and records.<sup>8</sup> An annual audit helps the Board to fulfill its fiscal oversight responsibilities by providing assurance that public money is handled properly (i.e., deposited in a timely manner and accurately recorded and accounted for) and identifying conditions that need improvement. A thorough annual review also provides the Board with additional assurance that financial records and reports contain reliable information on which to base management decisions.

The Board did not audit the Supervisor's records or obtain an audit for 2013. Board members told us they were unaware they were required to audit or obtain such an audit. Had the Board completed an audit, it may have noticed that the Supervisor was not maintaining accounting records and it could have initiated corrective action sooner. In addition, without an annual audit, Town officials are at risk of failing to detect and correct errors, irregularities or potential fraudulent activity in a timely manner.

<sup>8</sup> The Board may perform the annual audit or engage the services of a certified public accountant or public accountant to perform the annual audit within 60 days of the close of the fiscal year.

## Budget Practices and Financial Condition

It is important the Board adopt written policies and procedures to govern its budgeting practices and the level of fund balance<sup>9</sup> to maintain in each fund. The Board should adopt balanced budgets that include realistic estimates of revenues and expenditures and that use surplus fund balance as a funding source, when appropriate. This helps ensure that the amount of real property taxes levied is limited to the amounts necessary to fund Town operations.

Budget Estimates – The Board has not established policies and procedures that help to ensure adopting realistic and structurally balanced budgets. Additionally, the Board does not monitor the budget throughout the year or require the Supervisor to submit estimates of year-end cash or fund balances. Finally, the Board did not adopt a policy establishing the amount of fund balance that should be maintained in each fund to provide a reasonable financial cushion and help protect against unforeseen circumstances.

Because the Town lacked comprehensive budgeting policies, the Board did not adopt structurally balanced and realistic budgets during our audit period. For 2013 and 2014, the Board adopted budgets that were not balanced. The estimated revenues for all funds exceeded expenditures by approximately \$89,800 in 2013 and \$85,500 in 2014. Therefore, an operating surplus was budgeted each year.<sup>10</sup> In addition, the budgets did not include realistic revenue estimates. For example, the Town did not budget any sales tax revenue in 2013 or 2014 and did not request its sales tax allocations from the County in prior years.

County officials told us the Town had not requested its sales tax allocation since at least January 2010, so the County disbursed the Town's share of sales tax revenues in a lump sum payment of \$214,064 in January 2013. Since this time, the County has distributed sales tax to the Town on a quarterly basis. Although the Town received quarterly sales tax payments totaling \$86,162 in 2013, the Board did not budget any sales tax revenues in its 2014 budget. As of August 2014, the Town received \$42,539 in sales tax revenue.

Further, the Board estimated \$30,000 from equipment rental revenues in the highway fund budgets for 2013 and 2014, even though, according to the Supervisor, the Town does not rent equipment or receive these revenues. The Supervisor also told us budgeting for this estimated revenue was included in prior budgets, so she continued to include it in the 2013 and 2014 budgets.

<sup>9</sup> Fund balance is the difference between revenues and expenditures accumulated over time.

<sup>10</sup> The Board also appropriated fund balance of \$30,000 in the 2013 and 2014 budgets, so total estimated financing sources (revenues and appropriated fund balance) exceeded appropriations by \$119,800 in 2013 and \$115,500 in 2014.

Lastly, in April 2014 there was a highway equipment purchase totaling \$130,575 that was not included in the 2014 budget and no budget modifications were made for this purchase. Board members told us the Board does not monitor the budgets because the Supervisor does not provide, and it has not requested, reports to allow them to monitor actual operations against the budgeted amounts.

Fund Balance – Due to the lack of accounting records and reliable financial reports, Town officials are unable to identify the amount of fund balance in each Town fund.<sup>11</sup> To assess the Town’s overall financial condition, we examined the Town’s bank statements, investment statements and certificates of deposit to determine how much cash the Town had on deposit for all funds combined.<sup>12</sup>

The cash on deposit at the end of 2013 totaled \$689,998, which was more than twice the entire 2014 budget. The excessive cash balance was partly due to the Town receiving \$214,064 in sales tax from the County in January 2013. However, despite the large cash balance at the end of 2013, the Board only appropriated \$30,000 in 2013 to help finance the 2014 budget and raised about \$161,000<sup>13</sup> in real property taxes in 2014, approximately 5 percent more than the amount levied in 2013. As of May 31, 2014 the amount of cash on deposit totaled \$738,640.<sup>14</sup>

Board members told us they were unaware of how much fund balance or cash the Town had because financial reports and bank statements were not requested or received from the Supervisor. In addition, the Supervisor told us she does not provide the Board with fund balance projections to assist the Board in estimating the amount of fund balance it should appropriate or the amount to maintain as a financial cushion for unforeseen events.

Because the Supervisor and Board have not developed realistic budget estimates or routinely requested the Town’s sales tax allocations from the County and failed to develop reasonable projections of year-end cash and fund balances, the Board has accumulated excessive cash balances and raised more real property taxes than necessary to finance Town operations.

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<sup>11</sup> The Town has a general fund, highway fund and a fire protection district fund.

<sup>12</sup> Under a cash basis of accounting, financial transactions are only recorded in the accounting records when cash is received or disbursed, so each fund’s cash essentially equals its fund balance.

<sup>13</sup> \$154,000 for the general fund and \$7,000 for the fire protection district.

<sup>14</sup> This is the Town’s cash balance after it made an unbudgeted purchase of highway equipment costing \$130,575 in April 2014

## Conflict of Interest

GML limits the ability of municipal officers or employees to enter into contracts in which both their personal financial interests and their public powers and duties conflict. Unless a statutory exception applies, GML prohibits municipal officers and employees from having an interest in contracts with the municipality for which they serve, when they also have the power or duty, either individually or as a board member, to negotiate, prepare, authorize, or approve the contract, authorize or approve payment under the contract, audit bills or claims under the contract or appoint an officer or employee with any of those powers or duties.

For this purpose, a contract includes any claim, account, demand against or agreement with a municipality. Municipal officers and employees have an interest in a contract when they receive a direct or indirect monetary or material benefit as a result of a contract.<sup>15</sup>

The Town purchased an engine in September 2013 for a highway vehicle from the Superintendent for \$1,300. The Superintendent signed the claimant certification section on the claims voucher, indicating that, as the claimant, he attested to the fact that the engine was provided to the Town and the amount due was accurate.

The Superintendent told us he purchased a vehicle from a neighboring town for \$1,000 to be used for parts for his personal use. He also stated that when the Town needed an engine for a Town vehicle, he installed the engine from the vehicle he purchased and submitted a claim voucher to the Board to be reimbursed. Board members we interviewed stated they were under the impression the Superintendent purchased the engine at an auction on the Town's behalf and was merely requesting reimbursement.

When the Town purchased the engine from the Superintendent, the Town entered into an agreement and, hence, a "contract" for purposes of article 18 of GML for this transaction.<sup>16</sup> The Superintendent had an interest in the contract because he received a direct monetary or material benefit as a result of this contract. Because the Superintendent,

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<sup>15</sup> Municipal officers and employees are also deemed to have an interest in the contracts of their spouse, minor children and dependents (except employment contracts with the municipality); a firm, partnership or association of which they are a member or employee; or a corporation of which they are an officer, director or employee, or directly or indirectly own or control any stock.

<sup>16</sup> For purposes of this report, we assumed the validity of this contract. We note, however, that Highway Law Section 142(1)(a) provides, among other things, that the Superintendent may make purchases of equipment provided prior approval is given by the Board. The Board may also delegate authority to the Superintendent to purchase equipment up to a designed amount without prior approval. In the absence of such delegation, however, the Superintendent would not have the power to independently award the contract. In this case, it was unclear if the Town provided prior approval or delegated such authority to the Superintendent to purchase the engine on the Town's behalf.

as a department head, has a power that gives rise to the claim, we believe the Superintendent had the power to authorize payment under the contract.<sup>17</sup> Therefore, because we found no indication that any statutory exceptions applied in this circumstance, we believe the Superintendent had a prohibited interest in the Town's purchase of this engine.

When Town officers or employees, in their private capacities, conduct business with the Town in which they serve, the public may question the appropriateness of such transactions. Such transactions may create an actual conflict of interest or the appearance of impropriety.

## Recommendations

The Board should:

5. Implement control procedures to ensure it adequately oversees the Supervisor's financial duties.
6. Annually audit the Supervisor's financial records, or have an independent public accountant do so, and document the results of its audit in the Board minutes. To assist in performing its audit function, the Board should review OSC's publication entitled *Fiscal Oversight Responsibilities of the Governing Board*.
7. Adopt a policy governing the level of fund balance maintained in each fund and use excess fund balance or surplus cash in a manner that benefits taxpayers. Such uses could include, but are not limited to:
  - Reducing property taxes,
  - Financing one-time expenditures and
  - Establishing authorized reserves.
8. Develop and adopt budgets that include realistic estimates for revenues, expenditures and appropriated fund balance and ensure budgets are structurally balanced.
9. Ensure that the Town does not enter into any contract in which a Town officer or employee has a prohibited interest.

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<sup>17</sup> See Town Law Section 118(1)



## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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

# TOWN OF WORTH

24750 Macklin Rd

Lorraine, NY 13659

To whom it may concern:

The Worth Town Board has reviewed the audit and even though records weren't kept as required, the records were kept and given to town clerk. Deposits and checks written, but not approved by the board, were documented monthly and given to clerk.

Now, the disbursements, deposits and statements are being examined monthly by the board and signed.

The supervisor has gone to [REDACTED] classes and is continuing to learn this and I am utilizing [REDACTED] more. I am going to classes on budgeting, which has helped me to understand considerably more.

The board is aware of high balance and are taking corrective action

The supervisor and town board was unaware that the town needed to request sales tax revenue. That is why we received a large check.

The highway superintendent, town board and supervisor understands what conflict of interest is and a purchase won't be done by anyone within the board. This was a very innocent transaction. Also, our board was unaware that when purchasing machinery or items of high cost that documents should show both the retail cost and sale cost.

Respectfully submitted:

Judith Nichols, Supervisor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we reviewed financial operations for the period January 1, 2013 through May 31, 2014. To achieve our audit objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed appropriate Town officials to gain an understanding of Town processes and operations and to determine if internal controls were in place over financial management.
- We reviewed Board minutes and interviewed Board members to determine if the Board audited the Supervisors' records or caused them to be audited.
- We interviewed Board members to determine if financial information was provided allowing them to provide oversight of Town finances.
- We obtained all known payments made to the Supervisor from third party sources (i.e., Town Clerk, Tax Collector, County, State) for the audit period and traced all payments to the bank statements to verify if the receipts were deposited.
- We obtained and reviewed all bank statements for the audit period. We traced all non-check withdrawals and all bank transfers to other Town bank accounts or supporting documentation to determine if they were for an appropriate Town purpose.
- We reviewed all 345 non-payroll canceled checks issued during the audit period. We compared the canceled checks with the Board-approved claim vouchers and abstracts to determine whether disbursements were properly recorded, supported and approved.
- We reviewed all 346 payroll canceled checks issued during the audit period. We compared payments to Board-authorized pay rates. We reviewed all payments to the Supervisor during our audit period and traced them to an authorized salary or other supporting documentation.
- We reviewed the Board minutes for our audit period to document any significant activity related to budget practices and monitoring.
- We completed bank reconciliations for all bank accounts as of December 31, 2013 to determine the combined cash balances for all funds. We compared the combined cash balance with the 2014 budget appropriations and reviewed financial activity from January 1 through May 31, 2014 to determine the effect, if any, on the Town's current financial condition.
- We reviewed 2013 and 2014 Board-adopted budgets to determine if they were realistic and structurally balanced.
- We interviewed the Superintendent and Board members regarding the Town's purchase of a vehicle engine from the Superintendent to determine if the Superintendent had a prohibited interest in the contract.

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

## APPENDIX C

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