

Village of Monticello

Records and Reports

DECEMBER 2020



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Village of Monticello

Audit Objective

Determine whether the Village of Monticello (Village) Treasurer (Treasurer) maintained accurate, complete and timely records and reports.

Key Findings

The Treasurer did not maintain accurate, complete and timely accounting records or properly reconcile bank accounts in a timely manner.

- About \$5 million of real property tax revenue was not posted to the accounting records.
- Bank reconciliations were generally performed two to three months after the statement date.
- Periodic financial reports were not prepared for the Board of Trustees (Board) or department heads.
- Annual Update Documents (AUDs), which are the annual financial reports, constitutional tax limit (CTL) forms and adopted budgets were not filed in a timely manner.
 - AUDs were typically filed over 200 days late.

Key Recommendations

- Maintain accurate and timely accounting records and properly reconcile bank accounts.
- Provide the Board and department heads with periodic financial reports.
- File AUDs, CTLs and adopted budgets by the established deadlines.

Village officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Village of is located in the Town of Thompson in Sullivan County. The Village provides various services, including police protection, road maintenance and snow removal, sanitation, water distribution, sewage treatment and general government support.

The Village is governed by the Board, which is composed of an elected Mayor and four elected Trustees. The Board and the Mayor are responsible for the overall management and oversight of Village operations.

The Board-appointed Village Manager, who is the Village's administrative head, resigned in May 2018. The Board assigned his duties to both the Mayor and the Treasurer. The Treasurer, who is appointed by the Mayor with Board approval, is the custodian of all Village money and is responsible for maintaining the accounting records.

Quick Facts

2019-20 General Fund Budgeted Appropriations	\$ 8.1 million
Employees	72
Population	6,726

Audit Period

August 1, 2018 – July 31, 2019. We extended our scope period back August 1, 2015 to review report filings and extended forward to June 5, 2020 to review entries made by Treasurer.

Records and Reports

Several Village officers perform financial duties. The Village Clerk and the Deputy Clerk enter the majority of cash receipts, including real property taxes, into the computer system. The Treasurer enters miscellaneous receipts, such as retiree health insurance payments, real property tax installment agreement payments, court fees, State aid and accrued interest. The Mayor and Treasurer also sign disbursement checks prepared by the Treasurer based on claims certified as approved by the Village Clerk.

Despite this range of financial duties, the treasurer is responsible for ensuring accurate and timely accounting records are maintained for each fund,¹ reconciling bank accounts in a timely manner and providing periodic financial reports to the board and department heads.

Why Are Accurate, Complete and Timely Accounting Records and Reports Important?

A village's financial records and reports must be complete, accurate and current to be relevant and useful for the board members and other officials to manage village operations properly. It is essential that the board receive regular financial reports and establish policies and procedures to ensure that complete and accurate records are maintained and that the board and department heads receive financial reports generated from these records to help them manage operations. Accounting records and reports provide for a basis of checks and balances and determining whether village funds are accounted for.

New York State General Municipal Law² requires the treasurer to file the village's AUD, with the New York State Office of the State Comptroller (OSC) within 90 days after the close of the fiscal year.³ The Village's fiscal year end is July 31. Under the New York State Constitution,⁴ villages are required to annually file a CTL form with OSC 10 or more days before final budget adoption, and a copy of the adopted budget within 30 days of its adoption. New York State Village Law⁵ requires the board to annually audit, or have a village officer, employee, or an independent public accountant audit, the treasurer's annual financial report and supporting records. An annual audit produced without delay serves as a timely independent verification that transactions have been recorded and cash is accounted for and allows officials to determine a village's actual financial position.

1 Refer to our publication titled *Accounting and Reporting Manual* for guidance on fund accounting: <https://osc.state.ny.us/localgov/pubs/arm.pdf>.

2 General Municipal Law Section 30

3 The 90-day filing requirement applies to villages with populations between 5,000 and 19,999. The treasurer may request a 30-day extension from OSC.

4 Article 8 Section 10

5 Village Law Section 4-408

The Treasurer Did Not Maintain Adequate Accounting Records and Reports

Accounting Records – The Treasurer did not maintain an accurate balance sheet or record transactions in the accounting records in a timely manner. We found the following related to the 2018-19 or 2019-20 fiscal years:

- Several general fund asset accounts had unusual negative balances including current taxes receivable (-\$5 million), taxes receivable (-\$216,000), cash (-\$187,500) and several accounts receivable accounts (-\$3,200).
- The real property tax levy and real property tax revenue of approximately \$5 million was not posted to the accounting records.
- Retiree health Insurance payments totaling over \$9,000 received in September, October, November, December of 2019 and January 2020 were not posted until March 31, 2020 or April 1, 2020.
- Interest totaling over \$37,000 earned from April 2019 through February 2020 was not posted until April 2020.

The Treasurer told us that he does not have time to post entries timely, such as retiree health insurance payments. Furthermore, he was unsure of the causes for the negative balances and he relies on the CPAs to provide him with adjusting entries to correct them. For example, the Treasurer had not yet posted a correcting entry to record the current real property tax levy into the accounting system at the beginning of the fiscal year. As a result, the current taxes receivable and the real property tax revenue account balances are not correct.

Bank Reconciliations – We reviewed the bank reconciliations for all Village bank accounts for our audit period and found the Treasurer did not prepare reconciliations timely and did not properly reconcile the cash balances recorded in the accounting records to the bank statement balances. For example:

- The majority of bank reconciliations were performed two to three months after the bank statement ending dates. As of March 16, 2020, the general fund checking account had not been reconciled since March 31, 2019.
- The November 2018 and December 2018 general fund bank reconciliations had unreconciled variances of \$21,312 and \$415,293, respectively.
- The sewer fund checking account reconciliations listed inter-fund transfers as deposits-in-transit for the months of April 2018 through September 2018. These transfers should not have been classified as deposits-in-transit because they were instant transfers between Village bank accounts.

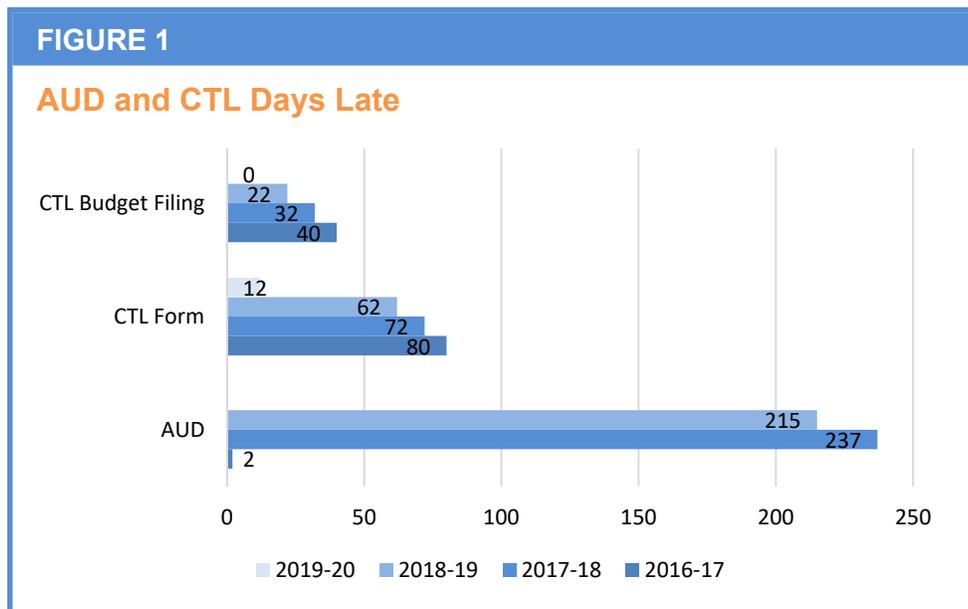
As of March 16, 2020, the general fund checking account had not been reconciled since March 31, 2019.

Internal Financial Reporting – The Treasurer has not provided the Board with any financial reports. During the course of our audit, we were informed by all Board members that they requested but did not receive periodic financial reports, such as budget-to-actual reports, bank balance information or annual financial reports. According to the Treasurer, he did not distribute reports to anyone, including the Board and department heads, because he was too busy with administrative duties. As a result of our audit, the Treasurer began submitting budget-to-actual reports to the Board in April 2020.

The Treasurer has not provided the Board with any financial reports.

The Treasurer told us he spends a significant amount of his time on administrative duties he shares with the Mayor. While the Mayor instructed him in January 2020 to stop performing his administrative duties and to focus on the accounting records, he continued to perform those duties. In fact, we observed him attending labor and department head meetings, and overseeing other Village employees in January, February and March 2020. Furthermore, when the highway department experienced personnel issues in June 2020, the Treasurer assisted the department with identifying areas of the Village that needed attention, such as road and lawn maintenance.

Required Reporting (AUD and CTL) – The Treasurer has not filed the 2018-19 fiscal years’ AUD with OSC (215 days late as of May 31, 2020) because he failed to maintain adequate financial records. Officials have a history of not filing AUDs on time, filing the 2015-16 and 2016-17 fiscal years’ AUDs two and 237 days late, respectively (Figure 1).⁶



⁶ As of the end of our fieldwork, the 2019-20 fiscal year AUD was not due.

Furthermore, the Treasurer filed the 2016-17 through 2019-20 fiscal years' CTL forms with our office from 12 days to 80 days after the deadline. During the same time period, the Treasurer failed to submit the Village's adopted budget within the specified time period, ranging from 22 days to 40 days late, for three out of the four years (Figure 1).

In addition to the late filings, the CTL form filed for the 2019-20 fiscal year was inaccurate and our office has sent the Treasurer numerous requests to correct errors on the CTL form. The Treasurer corrected the errors in May 2020.

Because of inadequate records and the lack of reports, Village officials did not have reliable financial information on which to base financial decisions. In fact, the lack of accurate and complete accounting records caused delays for the Village's CPAs in completing the 2018-19 fiscal year financial audit. Therefore, officials had no way to know the Village's actual financial position at any given time. As discussed in a separately released OSC audit report,⁷ the Village is in a dire financial situation. When complete, accurate and timely financial information is not available, the Board, taxpayers and other outside users of financial information are stripped of their ability to monitor the Village's financial condition.

What Do We Recommend?

The Treasurer should:

1. Maintain accurate and timely accounting records.
2. Properly reconcile all bank accounts in a timely manner.
3. Provide the Board and department heads with periodic financial reports, such as budget-to-actual reports, bank balance information and annual financial reports.
4. File AUDs, CTLs and adopted budgets by the established deadlines.

The Board should:

5. Establish policies and procedures to ensure the Treasurer's records are complete and accurate and that the Board and department heads receive financial reports.

⁷ We also issued a separate audit report, *Village of Monticello – Financial Condition* (2020M-107)

Appendix A: Response From Village Officials

VILLAGE OF MONTICELLO



October 22, 2020

Office of New York State Comptroller
Division of Local Government and School Accountability
110 State Street 12th Floor
Albany, New York 1223 6

Re: 2020M-104

After evaluation of the Audit -Records and Reports draft findings, the Village of Monticello is in agreement that the findings of the audit are both accurate and expected. The Board of Trustees understands the seriousness of this matter, and has already taken steps to facilitate the implementation of the recommendations of the audit.

Sincerely,

George Nickolados, Mayor/Manger
Village of Monticello, Monticello, NY

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Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective⁸ and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Village officials to gain an understanding of the Village's financial and fiscal monitoring processes.
- We reviewed August and September 2018 (beginning of tax collection period) daily cash receipt logs prepared and entered by the Clerk and Deputy Clerk, to ensure amounts collected were actually deposited. We verified that those cash receipts postings were up-to-date.
- We reviewed all bank statements and canceled check images from August 2018 to July 2019 for cash withdrawals, checks written out to cash, and transfers accounts not associated with the Village. We also reviewed the check signatures to verify that the Mayor and Treasurer signed all checks. We also looked for payments made to insurance companies, cell phone bills, and credit cards not associated with the Village.
- We reviewed the Village's general fund accounting records to determine whether balance sheet accounts and significant revenues (real property taxes, State aid and interfund transfers) and expenditures (payroll, health insurance and social security) as of July 31, 2018 were properly recorded, supported and currently collectible in accordance with the modified accrual basis of accounting.
- We obtained the 2018-19 and 2019-20 fiscal years' trial balance reports to determine whether year-end balances appeared reasonable.
- We obtained the 2018-19 and 2019-20 fiscal years' general fund general ledgers, along with deposit slips and bank statements, to determine whether transactions were recorded in a timely manner.
- We reviewed bank statements and reconciliations to determine whether the bank statements were reconciled in a timely manner, and if the reconciliations were accurate.
- We reviewed the Village's 2016-17 through 2019-20 fiscal years' AUDs, CTLs and adopted budget filings to determine whether the Village filed them by deadlines established by law.
- We also inquired to determine the status of the Village's CPA financial audit for the 2018-19 fiscal year.

⁸ We also issued a separate audit report, *Village of Monticello – Financial Condition (2020M-107)*.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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 provided to our office within 90 days, pursuant to Section 35 of 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 the CAP available for public review in the Village Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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