

Town of Delhi

Pool Project Donations and Disbursements

JANUARY 2021



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

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Report Highlights

Town of Delhi

Audit Objective

Determine whether the Town of Delhi (Town) Board (Board) properly managed pool project donations and disbursements.

Key Findings

The Board did not properly manage pool project donations or disbursements. For example, the Board:

- Improperly allowed the West Branch Recreation and Aquatics Committee (Committee) to act under the auspices of the Town and organize fundraising activities that should not have been conducted as an affiliate of the Town.
- Inappropriately used Town funds to pay at least \$8,000 for fundraising activities.
- Did not properly document donations it received totaling \$117,300.

In addition, 77 of the pool checks were improperly disbursed. The Town Supervisor (Supervisor), as the Town disbursing officer, should have signed the checks. However, the Committee Treasurer, a private citizen or a Board member signed them.

Key Recommendations

The Board should:

- Clearly define the arrangement between the Town and the private citizen's group so that it does not appear the Town is fundraising.
- Ensure that the Supervisor signs all Town checks after Board audit and approval.
- Document all gifts and donations in the Board minutes.

Town officials agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The Town is located in Delaware County and is governed by an elected Board, which is comprised of the Supervisor and four Board members. The Board is responsible for the general management and control of Town finances, including receipts and disbursements.

The Supervisor serves as the chief fiscal officer and is responsible for the Town's day-to-day financial activities, including maintaining the accounting records and providing monthly financial reports to the Board. The Board appointed a bookkeeper to assist the Supervisor in performing these financial duties.

Quick Facts

Pool Donations, Grants, and Interest Earnings	\$1.7 million
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Total Pool Disbursements ^a	\$1.5 Million
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Population	4,938
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^a This does not include the BAN repayment.

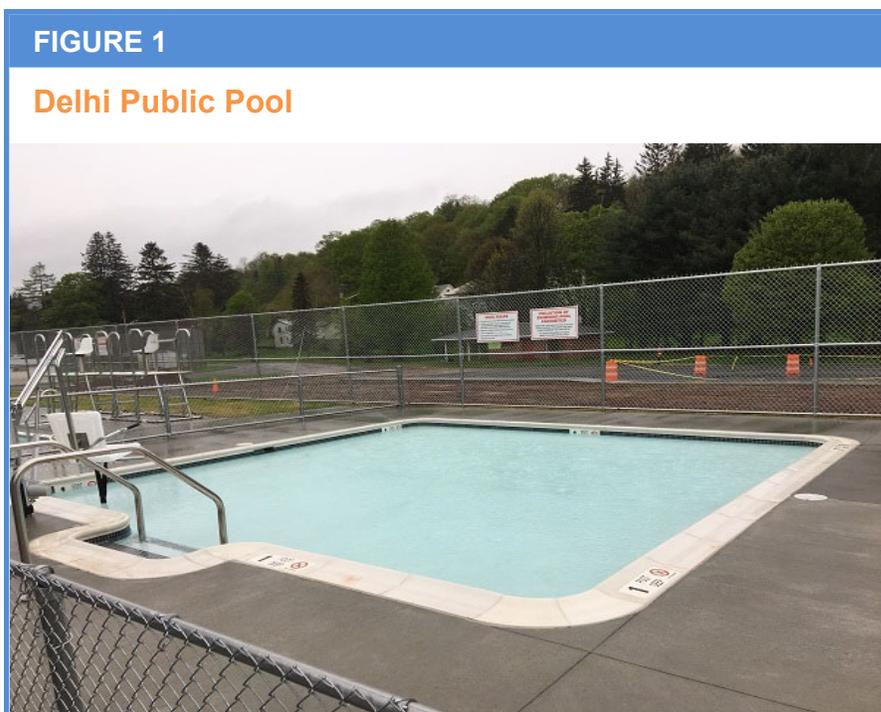
Audit Period

January 1, 2018 – December 31, 2019. We extended our audit period back to July 1, 2010 to review the pool-related receipts and disbursements.

Pool Project Donations and Disbursements

In 2004, the Committee, a private citizen's group, was formed to raise funds to build a new pool for the Delhi community. Initially, the Committee partnered with a not-for-profit corporation to assist in fundraising efforts and to hold donations on behalf of the Committee. However, the arrangement between the Committee and the not-for-profit ended in 2009, which resulted in the Committee approaching the Board for support in constructing a new community pool.

In May 2010, the Board passed a resolution accepting the Committee as a "Town sub-committee," by which the Town would hold fundraising donations previously received by the Committee, as well as accept future donations in the Town's pool accounts. The Committee was initially comprised of 12 members, including one Board member, one Village of Delhi Board member and 10 private citizens.¹ In accordance with the Board resolution, in July 2010, the Board, on behalf of the Town, accepted a donation from the Committee in the amount of \$116,613 for the sole purpose of constructing a Town pool (Figure 1).



Between 2010 and 2019, the Committee continued to fundraise and deposit donations into the pool accounts that the Committee Treasurer, a private citizen, had access to and disbursed money from.

¹ Based on conversations with Town officials, it is unclear whether the Committee, which was originally formed in 2004, subsequently changed names, members and/or responsibilities at some point between 2010 and 2019. When we spoke to Town officials with regards to this question, no one could provide a definitive answer. For purposes of this report, however, our reference to the Committee is the Committee initially formed in 2004 and accepted as a "sub-committee" of the Town in 2010.

How Should a Town Manage Money and Gifts From Private Fundraising?

Towns do not have authority to engage in fundraising, such as directly or indirectly soliciting monetary donations or material gifts either by advertisement or fundraising activities. Instead, fundraising activities undertaken to benefit a town may be conducted by individuals in their private capacities or by community groups not affiliated with the town. Fundraising money raised by such private individuals or groups may then be donated to the town, in the form of a gift or conditional gift. In the case of monetary donations, such donations become municipal funds.

The Town Did Not Separate Itself From the Private Citizens' Fundraising Group

The Committee, acting as a "Town sub-committee," conducted various fundraising activities such as dances, t-shirt sales and holiday parties. The Committee then donated the proceeds to the Town to be used for pool construction. However, a clear distinction between the private citizen's fundraising group and the Town was not established because the Committee was considered a "Town sub-committee." As a result, the Committee acted under the auspices of the Town and participated in fundraising activities that should not have been conducted as an affiliate of the Town. To avoid such confusion, the Town should not have approved the private group of citizens as a Town "sub-committee," with the Committee continuing to perform fundraising activities while being affiliated with the Town.

Additionally, the Town's official website included a link to a webpage dedicated to the Delhi Pool. The Delhi Pool webpage includes a donation button to donate to the Town of Delhi-Pool. Under these circumstances, the Town should not be soliciting donations for the pool through its official website, either directly or indirectly.

How Should A Town Document Receipt of Donations?

A supervisor is responsible for custody of all money belonging to a town, including money received from private donations. Donations made to a town should be documented in the board minutes, including the amount and payee (if available). Once accepted, donations should be transmitted to the supervisor and included on the supervisor's monthly report to the board.

Not All Pool Donations Were Reported to the Board

As noted above, the Committee conducted various fundraising activities and then donated the proceeds to the Town for the purpose of constructing a pool. However, the Committee Treasurer deposited the donated funds directly into the Town's pool bank accounts and did not process the donations through the Supervisor's office. As a result, the Board did not document all donations made by the Committee in the Board minutes.

We tested all donations deposited by the Committee Treasurer from all known sources² totaling \$239,300 to determine whether the donations made by the Committee were reported to, and accepted by, the Board. We found that a significant amount of the donations made by the Committee (\$117,300) were not documented in the Board minutes. For certain donations that were documented in the Board minutes (\$2,400), the amount and/or payee was not indicated in the minutes. The remaining donations (\$119,600) were documented in the Board minutes. With the exception of minor discrepancies, all donations received from the Committee were recorded in the Town's accounting records and the Supervisor's monthly reports to the Board. However, the Supervisor's monthly report to the Board only lists total revenues and expenditures and does not include a detailed description of the donations made to the Town.

This lack of transparency over donations received increased the risk that errors or irregularities could occur with the handling of these collections and not be detected. Furthermore, Town officials were unaware that they should acknowledge donations, in the Board minutes, until they contacted the Town attorney in October 2019.

How Does the Board Properly Manage Pool Cash Disbursements?

New York State Town Law (Town Law)³ generally requires the board to audit and approve all claims against the town before payment. The audit of claims should be a deliberate and thorough process allowing the board to determine whether proposed payments were properly supported by itemized invoices or receipts and that claims represent actual and necessary expenditures. Furthermore, there is no authority for a municipality to solicit monetary or material gifts by advertisement or fundraising. Therefore, any expenditures made related to fundraising activities would be improper.

The Committee Treasurer deposited the donated funds directly into the Town's pool bank accounts and did not process the donations through the Supervisor's office.

² Sources included bank deposit confirmations, Committee Treasurer's report of receipts, letters from donors and an email from the Committee Chairman.

³ New York State Town Law (Town Law), Section 118

The supervisor acts as treasurer and disbursing officer for the town and is responsible for disbursing money for the town after the board has audited the claims. The supervisor's duties are not delegable to any individual that is not a town officer, absent express statutory authority. Therefore, the supervisor should ensure he, or his deputy in his absence, signs town checks.

The Town Did Not Properly Oversee Pool Disbursements

The Committee Treasurer withdrew money and processed and signed checks for all disbursements made from the Town's pool checking and savings accounts. While the bookkeeper performed the majority of the bank reconciliations, she did not review canceled check images to ensure that only Board-approved payments were made. Because of this weakness, we reviewed all 101 disbursements totaling \$2.4 million to determine whether they were properly audited, supported, recorded and for appropriate Town purposes. We found:

- Thirty-five disbursements, totaling \$44,100, did not have sufficient supporting documentation, such as adequate receipts or invoices. Using other documentation,⁴ we determined that the majority of these disbursements were for legitimate Town purposes, such as engineering, concrete testing and webhosting. However, six of these disbursements, totaling \$773, were likely related to fundraising activities.
- An additional 12 disbursements, totaling \$8,000, also related to fundraising activities, such as disbursements for cash boxes, t-shirts, fees for dance halls and fundraiser advertising. Because the Town does not have authority to engage in such fundraising activities, it appears that these 18 disbursements (these 12 and the six above) were inappropriate Town expenditures.
- The Board did not audit 60 disbursements, totaling over \$19,000.
- Seventy-seven of the pool checks were not signed by the Supervisor. Instead, they were signed by the Committee Treasurer, another Board member or both.

Although we question the appropriateness of certain disbursements above, with minor discrepancies, all the disbursements were properly recorded in the Town's accounting records. Finally, we also reviewed all 47 manual transfers from the pool accounts, totaling \$1.5 million, and found all transfers were deposited into another Town bank account for proper Town purposes.

Thirty-five disbursements totaling \$44,100 did not have sufficient supporting documentation, such as adequate receipts or invoices.

⁴ Such as Board minutes and Treasurer's reports.

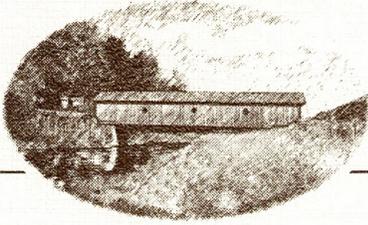
Once the pool project was completed, Town officials closed the pool checking account and rescinded the Committee Treasurer's access to the pool savings account in September 2019.

What Do We Recommend?

The Board should:

1. Clearly define the arrangement between the Town and the Committee so that it does not appear the Town is fundraising.
2. Document all gifts and donations in the minutes, including the amount and payee (if available).
3. Audit and approve all pool disbursements prior to payment.
4. Ensure that proper documentation is maintained on all pool disbursements.
5. Continue to ensure that the Supervisor signs all Town checks after Board audit and approval.

Appendix A: Response From Town Officials



TOWN OF DELHI

5 Elm Street, Delhi, New York 13753

607-746-TOWN (8696)
Fax: 607-746-7847

November 7, 2020

Office of the New York State Comptroller
Division of Local Government & School Accountability
PSU-CAP Submission
110 State Street, 12th Floor
Albany, NY 12236

Binghamton Regional Office Audit of:
Town of Delhi
Pool Project Donations and Disbursements
Audit Report # 2020M-105

Dear Ms. Singer:

Please let this document serve as both our response letter and Corrective Action Plan (CAP) for the above audit.

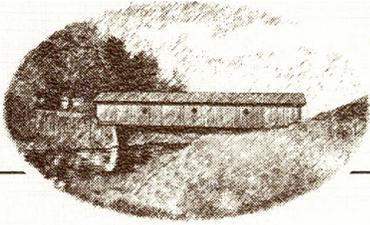
For some background on the Delhi Pool Project please let me make it clear that neither myself or any of my current town board members were involved in this project until after 2013.

We do agree there was a lack of communication between the Pool Committee, which apparently in 2010 became known as the Pool Advisory Council (PAC) when the previous administration made them a sub-committee of the town, and the Town Board.

Since I took office in January of 2014 we have tried to get better control over the role of the PAC. There was resistance at first to any oversight as PAC had been controlling the project from the beginning days as a private fundraising group.

There was oversight on the donations and disbursements by PAC and their treasurer. We agree the finances should have been handled through town accounts with no private individuals having access.

We had already been making changes to PAC and their role and had requested all donations be accepted by the Town Board prior to your audit.



TOWN OF DELHI

5 Elm Street, Delhi, New York 13753

607-746-TOWN (8696)

Fax: 607-746-7847

We would like to address your recommendations as follows:

1. Clearly define the arrangement between the Town and the Committee so that it does not appear the Town is fundraising.

The Town Board and PAC have agreed upon a new set of by laws that defines PAC's role as advisory only. They are aware that they can't fundraise as a sub-committee of the Town and have no authority to spend money, hire employees or the like.

2. Document all gifts and donations in the minutes, including the amount and payee (if available).

All gifts and donations are now accepted by the Town Board and documented in the official minutes with the amount and payee (if available).

3. Audit and approve all pool disbursements prior to payment.

All pool expenses are now vouchered and audited by the Town Board for payment.

4. Ensure that proper documentation is maintained on all pool disbursements.

The Town Clerk now receives the proper documentation prior to any disbursements being placed on the abstract for payment.

5. Continue to ensure that the Supervisor signs all checks after Board audit and approval.

I now sign all checks after Board audit and approval.

While we all agree that this project was not handled as well as it should have been, we are grateful for the assistance from your auditors in verifying that in the long run there were no major discrepancies in the finances of the project.

We are confident now that we have a plan for any future projects that will ensure clear accounting to avoid any issues.

If any further information is needed, please contact me at 607-746-9882. Thank you.

Sincerely,

Mark E. Tuthill
Delhi Town Supervisor

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

- We interviewed Town officials and reviewed the meeting minutes, Town and Committee's websites and the Committee's by-laws to gain an understanding of the pool project receipts and disbursements and the relationship between the Town and Committee.
- We contacted our legal department to determine whether the relationship between the Town and the Committee was proper.
- We reviewed meeting minutes, copies of checks, check stubs, letters from donors and grantees and emails from the Committee Chairman in an attempt to determine whether the amounts that were received were deposited and recorded and reviewed meeting minutes to determine whether they were reported to the Board.
- We reviewed the Treasurer's reports for all additional receipts that we had not traced to in our additional testing, which included other donations from fundraiser events. We traced all to deposit compositions or bank statements, accounting records and Supervisor's reports and meeting minutes to determine whether they were deposited, recorded and reported to the Board.
- We reviewed the remaining deposits that were not traced in our additional testing and traced all to accounting records and Supervisor's reports and meeting minutes to determine whether they were recorded and reported to the Board.
- We selected all canceled check images, transfers and withdrawals and traced all to vouchers including invoices, meeting meetings, other deposits into Town accounts, accounting records and Supervisor's reports to determine whether disbursements were adequately supported, audited and approved by the Board, signed by the proper individual, recorded in the Town's records, and legitimate Town expenditures.
- We compared the total receipts to the total disbursements to determine whether the grants and donations covered the total cost of the pool project.

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.

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 Town 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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Division of Local Government and School Accountability
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Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

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