

# Town of Stony Creek

## Supervisor's Records and Reports

JULY 2022



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

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# Report Highlights

## Town of Stony Creek

### Audit Objective

Determine whether the Town of Stony Creek (Town) Supervisor maintained accurate accounting records and reports to allow the Town Board (Board) to effectively manage the Town's financial operations.

### Key Findings

The Supervisor did not maintain accurate accounting records and reports, and the Board could improve its oversight of financial operations. The Supervisor did not:

- Ensure accurate accounting records were maintained.
- Provide bank statements or canceled checks to the Board and ensure cash accounts were independently reconciled monthly.
- Provide adequate monthly reports or ensure the annual update document (AUD) was accurate.

Without complete and accurate financial reports, the Board was not aware of significant deficiencies with the Town's accounting records, that the Town's general fund balance was overstated by \$316,272 as of December 31, 2021, and cannot exercise adequate oversight of financial operations.

### Key Recommendations

- Provide adequate oversight of the Town's financial operations, maintain accurate accounting records and conduct required annual audits.
- Ensure bank reconciliations are independently prepared or reviewed.

Town officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

### Background

The Town, located in Warren County, is governed by an elected Board composed of four Board members and the Supervisor.

The Board is responsible for the general oversight of Town operations and finances.

The Supervisor is the chief executive and chief fiscal officer. The Board-appointed bookkeeper handles the day-to-day financial operations and prepares periodic financial reports.

#### Quick Facts

2022 Appropriations (all funds)	\$1.7 million
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2022 Tax Levy	\$832,038
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Population	767
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#### As of December 31, 2021

#### General and Highway Cash

Recorded	\$1,098,382
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Actual	746,802
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Overstated	\$351,580
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#### Prepaid Expenses

Recorded	\$50,955
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Actual	26,490
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Overstated	\$24,465
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#### Accounts Payable

Recorded	\$53,898
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Actual	26,780
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Overstated	\$27,118
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### Audit Period

January 1, 2019 – December 31, 2021

# Supervisor's Records and Reports

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## How Should Accounting Records Be Maintained and Monitored?

Town supervisors are responsible for keeping an accurate and complete account of all funds received and disbursed. If the supervisor assigns these duties to a bookkeeper, the supervisor still maintains the responsibility for the accuracy and timeliness of the financial records. As such, the supervisor should provide sufficient oversight to ensure the bookkeeper maintains suitable records, documents financial information accurately and timely and provides useful reports to the board.

Complete, accurate and current financial information is necessary to effectively monitor financial operations. A board is responsible for the oversight of financial operations. Boards should monitor the results of operations and ensure accounting records are accurate and supported.

Additionally, supervisors should ensure they, and the deputy supervisor, are the only individuals authorized to sign checks. Town supervisors are not allowed to use a rubber signature stamp to sign checks, as it can be easily replicated and, therefore, is not secure. Boards should establish an internal control system that provides adequate segregation of duties so that one individual does not control all phases of financial transactions. Specifically, one individual should not have the ability to authorize, execute and record a transaction. If it is not practical or cost-effective to adequately segregate the financial duties, the board should establish compensating controls. Compensating controls could include supervisory reviews of activity and transactions.

## The Supervisor Did Not Maintain Accurate Accounting Records

The Supervisor did not provide oversight of the bookkeeper's duties related to maintaining the accounting records. As a result, there were significant deficiencies with the Town's accounting records, including inaccurate recording of balance sheet, revenue and expenditure accounts. While some of the inaccuracies could not be explained, the bookkeeper told us that the accounting application manual (manual) was confusing and complicated, and the vendor was not always able to provide guidance. We reviewed the manual and also identified areas of confusion and complexity.

We reviewed all 10 balance sheet accounts<sup>1</sup> recorded in the accounting records for the general, highway and fire protection funds, which included cash, prepaid expenses and accounts payable as of December 31, 2019, December 31, 2020 and December 31, 2021. All 10 accounts for each year were not supported. Specifically, assets, liabilities and fund balance were overstated.

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...[T]here were significant deficiencies with the Town's accounting records. ...

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<sup>1</sup> Refer to Appendix C for information on our sampling methodology.

Cash – Between December 31, 2019 and December 31, 2021, the general, highway and fire protection funds’ cash balances were overstated between \$339,730 and \$361,688 in total (Figure 1).

**Figure 1: Year-End Cash Balances**

Fund	Amount Recorded	Actual Balance	Overstated/ (Understated)
<b>December 31, 2019</b>			
<b>General</b>	\$534,228	\$277,191	\$257,037
<b>Highway</b>	177,779	95,086	82,693
<b>Totals</b>	<b>\$712,007</b>	<b>\$372,277</b>	<b>\$339,730</b>
<b>December 31, 2020</b>			
<b>General</b>	\$565,556	\$284,116	\$281,440
<b>Highway</b>	228,125	147,877	80,248
<b>Totals</b>	<b>\$793,681</b>	<b>\$431,993</b>	<b>\$361,688</b>
<b>December 31, 2021</b>			
<b>General</b>	\$693,809	\$376,944	\$316,865
<b>Highway</b>	404,573	369,858	34,715
<b>Totals</b>	<b>\$1,098,382</b>	<b>\$746,802</b>	<b>\$351,580</b>

Because the bookkeeper commingles the Town’s general and fire protection fund cash, we included fire protection cash balances in the general fund in Figure 1. Additionally, because of accounting standard changes that took place during our audit period, we also included the commingled trust and agency fund cash in the general fund balances. Town officials identified concerns with the accounting application but could not provide a reasonable explanation for the inaccuracies identified. Further, without adequate reviews and reconciliations, the inaccuracies were not identified by Town officials and continued over the years.

Prepaid Expenses – Between December 31, 2019 and December 31, 2021, the general and highway funds’ prepaid expense balances were overstated by between \$24,465 and \$110,821 in total (Figure 2).

These inaccuracies were due, in part, to the bookkeeper not reversing these entries in the subsequent year.

Accounts Payable – Between December 31, 2019 and December 31, 2021, the general and highway funds’ accounts payable balances were overstated between \$18,139 and \$62,407 in total (Figure 3).

These inaccurate accounts payable balances occurred because the Supervisor and bookkeeper did not review or analyze accounts payable at the end of each fiscal year.

**Figure 2: Year-End Prepaid Expense Balances**

Fund	Amount Recorded	Actual Balance	Overstated/ (Understated)
December 31, 2019			
General	\$83,711	\$8,568	\$75,143
Highway	51,589	15,911	35,678
<b>Totals</b>	<b>\$135,300</b>	<b>\$24,479</b>	<b>\$110,821</b>
December 31, 2020			
General	\$19,163	\$9,999	\$9,164
Highway	31,805	14,389	17,416
<b>Totals</b>	<b>\$50,968</b>	<b>\$24,388</b>	<b>\$26,580</b>
December 31, 2021			
General	\$20,595	\$10,596	\$9,999
Highway	30,360	15,894	14,466
<b>Totals</b>	<b>\$50,955</b>	<b>\$26,490</b>	<b>\$24,465</b>

**Figure 3: Year-End Accounts Payable Balances**

Fund	Amount Recorded	Actual Balance	Overstated/ (Understated)
December 31, 2019			
General	\$15,328	\$10,284	\$5,044
Highway	66,925	9,562	57,363
<b>Totals</b>	<b>\$82,253</b>	<b>\$19,846</b>	<b>\$62,407</b>
December 31, 2020			
General	\$17,487	\$10,159	\$7,328
Highway	54,000	43,189	10,811
<b>Totals</b>	<b>\$71,487</b>	<b>\$53,348</b>	<b>\$18,139</b>
December 31, 2021			
General	\$12,693	\$2,101	\$10,592
Highway	41,205	24,679	16,526
<b>Totals</b>	<b>\$53,898</b>	<b>\$26,780</b>	<b>\$27,118</b>

We also reviewed five revenue accounts recorded in the accounting records for the general and highway funds as of December 31, 2019, December 31, 2020 and December 31, 2021. Two accounts (40 percent) were not accurate for 2019 and 2020. These accounts were overstated by as much as \$108,770 and understated by as much as \$85,671. For example, general fund sales tax revenue was understated by \$80,194 in 2019 and \$85,671 in 2020, while highway fund Consolidated Local Street and Highway Improvement Program (CHIPS) revenues were overstated by \$88,804 in 2019 and \$108,770 in 2020.

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The sales tax revenue understatements occurred because the bookkeeper did not consistently record sales tax revenues and receivables for prior year sales tax collections received in January of each year. For the CHIPS revenue, the 2019 and 2020 operating statements reflected the correct account balances but the trial balance report from the same application reflected the overstated amounts, which impacted the balance sheet accounts. The bookkeeper confirmed that both periods were appropriately closed and there was no reasonable explanation for the differences between the two reports.

We reviewed five expenditure accounts recorded in the accounting records for the general and highway funds as of December 31, 2019, December 31, 2020 and December 31, 2021. Except for some reclassifications which the bookkeeper explained, these expenditure accounts were generally accurate for each year. However, during our reviews of annual financial reports, the personal services for highway street maintenance expenditure account was not accurate for 2019. Specifically, this account was understated by \$251,108.

The bookkeeper determined that fund balances were overstated in March 2020 and followed the manual instructions to correct the fund balance by selecting any appropriation account to adjust. Because the instructions indicated that the offsetting entry would have no impact on the current year accounting records since the 2019 accounting records were closed, the bookkeeper did not know that crediting the personal services for highway street maintenance expenditure account by \$251,108 would create this inaccuracy for 2019.

The balance sheet overstatements and inaccurate revenues and expenditures resulted in the Town's recorded fund balance being overstated by \$316,272 for the general fund and \$32,655 for the highway fund as of December 31, 2021. The lack of adequate oversight and the bookkeeper's ability to perform all phases of the financial transactions allowed the inaccuracies to continue without being detected and corrected. Without reliable accounting records, the Board's ability to manage the Town's financial condition and make sound financial decisions is limited.

### **The Board Did Not Adequately Segregate Financial Duties**

The bookkeeper is responsible for recording journal entries, entering claims into the accounting application, preparing and mailing checks and receiving bank statements. The bookkeeper also can sign checks using the Supervisor's unauthorized signature stamp. In addition, the bookkeeper's duties include preparing the monthly financial reports for the Board and filing annual reports.

The bookkeeper's job duties are not adequately segregated to safeguard Town funds and prevent her from controlling all phases of a transaction. Her duties include authorizing transactions, recording transactions and maintaining custody

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The bookkeeper's job duties are not adequately segregated to safeguard Town funds. ...

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of assets. The Board has not developed or implemented oversight measures that can be taken to reduce the risks of the inadequate segregation of duties.

While the Board audited claims and received some monthly reports, the lack of adequate oversight measures to address the lack of segregation of duties resulted in the inaccurate and unreliable accounting records and reports identified in this report not being identified and corrected.

### **Why Are Bank Reconciliations Important?**

Reconciling bank account balances with the accounting records is essential to allow town officials to determine whether financial transactions are accurately recorded in a timely manner. Monthly bank reconciliations provide a way for officials to identify, correct and document differences between the town's records and bank transactions. In the absence of properly segregated duties, someone independent of recording collections, disbursements and journal entries should perform or, at a minimum, review bank reconciliations.

### **Officials Did Not Periodically Reconcile Bank Accounts**

Bank reconciliations were not performed to verify cash balances with the accounting records for any of the six bank accounts maintained. Additionally, the Board did not require the Supervisor or bookkeeper to provide monthly bank statements, reconciled cash balances or the cash balances in the accounting records.

The bookkeeper told us that she attempted to follow the manual to reconcile cash balances within the application; however, the instructions were confusing and complicated, and she was unable to reconcile. Consequently, the cash balances in the accounting records were significantly misstated. The Board was not aware of the inaccuracies because the Supervisor did not provide cash balance information or ensure accounts were reconciled.

### **How Should Financial Information Be Reported?**

The supervisor is required to submit a monthly report to the board detailing all money received and disbursed. The report should include reconciled cash balances for each fund and comparisons of actual revenues and expenditures to amounts estimated in the annual budget (budget status reports).

Towns are required to file an annual financial report with the New York State Office of the State Comptroller within 60 days following the close of the fiscal year and may be approved for a 60-day extension. This report, also referred to as the annual update document (AUD), provides officials with a town's financial position at a point in time, and provides other stakeholders with a complete summary of

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the financial activities. When properly completed and filed, AUDs increase the transparency of a town's financial activity.

### **The Supervisor Did Not Provide Adequate Monthly Reports**

The Supervisor presented the Board with monthly operating statements for all funds, including monthly expenditures and revenues, year-to-date amounts and year-to-date budget-to-actual analysis by account code. However, the Supervisor did not provide the Board with monthly reports detailing all money he received and disbursed each month.

Specifically, the operating statement provided only totals received and disbursed for an account code which included multiple collections and disbursements for the month. Board members believed the operating statement, including all accounts and funds, was sufficient for their review, in addition to their review of disbursements through the claims audit process. However, the claims audit only includes the authorization for payment and does not provide any information to determine the actual disbursements made during the month. Additionally, the Board does not receive detailed cash balance reports that include all Town cash balances or bank statements, canceled checks and reconciliations to the accounting records.

Without complete monthly financial reports, the Board cannot exercise adequate oversight of financial operations and be aware of the Town's true financial condition.

### **The Supervisor Did Not Ensure AUDs Were Accurately Prepared**

The Town's AUDs were not accurate for 2019 and 2020 because inaccurate accounting records were used to report the data. In addition, the Supervisor did not develop adequate procedures to prepare the AUD and maintain the supporting documentation used to prepare the AUD. We compared significant asset and liability balances<sup>2</sup> to supporting documentation and, in addition to the recording inaccuracies identified earlier in this report, balances were also not reported accurately, resulting in inaccurate reported fund balances that also varied from the inaccurate records for 2019 and 2020, while 2021 was not filed as of the end of our fieldwork (Figure 4).

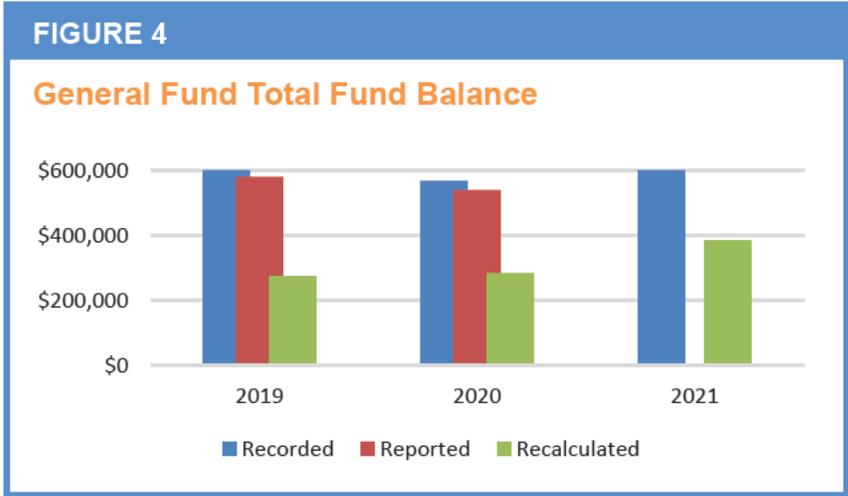
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...[T]he Supervisor did not provide the Board with monthly reports detailing all money he received and disbursed each month.

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2 Refer to Appendix C for information on our sampling methodology



For example, for 2019 the Town overstated general fund assets on the AUD by \$303,487. Reported general fund liabilities were understated by \$716. As a result of these variances, the Town’s 2019 general fund total fund balance, reported on the AUD as \$579,678, was overstated by \$304,203. The Town’s 2020 general fund assets were also overstated on the AUD by \$254,274. Reported general fund liabilities were again understated by \$697 and, as a result, the Town’s 2020 general fund total fund balance, reported on the AUD as \$538,927, was overstated by \$254,971 (Appendix A, Figure 5).

For the highway fund, the Town understated the 2019 assets on the AUD by \$9,436 and, although reported highway fund liabilities were overstated by \$16,526, the Town’s 2019 highway fund total fund balance was understated by \$25,962. The Town’s 2020 highway fund assets were also understated on the AUD by \$25,173. Reported highway fund liabilities were again overstated by \$16,526 and, as a result, the Town’s 2020 highway fund balance, reported on the AUD as \$77,378, was understated by \$41,699 (Appendix A, Figure 6).

Without accurate AUDs and fund balance information, the Board cannot properly monitor financial operations and assess the financial condition. In addition, the lack of accurate AUDs prevented the Board, residents and other interested parties access to reliable financial information to measure the effectiveness of operations and the Town’s overall fiscal health.

**Why Should the Board Perform Annual Audits?**

A board fulfills its oversight responsibility, in part, through annually auditing, or providing for an annual audit of, the records of all town officers and employees responsible for receiving and disbursing money. These audits provide oversight of financial operations to ensure that public funds are handled properly.

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The annual audits should be thorough, and the results should be documented in the board minutes. When done properly, such audits provide board members an opportunity to assess the reliability of the officers' books and records and supporting documents. Annual audits also serve to identify conditions needing improvement and provide the board with a better understanding of town operations, which is essential to effective oversight.

### **The Board Did Not Perform Annual Audits**

The Board could not support it performed the required annual audits. Board members believed that they were performing an annual audit by visually reviewing the books and records of officials who collect receipts or disburse funds. However, the Board could not provide sufficient evidence of records reviewed, methods used to determine the accuracy of the records, and the findings and conclusions of their review of the financial records. In addition, one Board member was unaware of the Board's responsibility to perform an annual audit.

Without a proper annual audit, the Board's ability to provide adequate oversight of financial operations is diminished. A proper annual audit would have identified the significant inaccuracies in the Town's financial records and reports so that the errors could have been corrected. We provided the Board with annual audit guidance available in our publication, *Fiscal Oversight Responsibilities of the Governing Board*.<sup>3</sup>

### **What Do We Recommend?**

The Board and Supervisor should:

1. Ensure accounting records are accurate.
2. Ensure the bookkeeper obtains adequate guidance from the accounting application vendor.
3. Implement adequate mitigating controls where segregation of duties is not feasible.
4. Ensure accurate bank reconciliations are prepared monthly and, along with bank statements, are independently reviewed and approved.
5. Ensure the financial information presented in the AUD is accurate and supported by the accounting records.

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Without a proper annual audit, the Board's ability to provide adequate oversight of financial operations is diminished.

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<sup>3</sup> Available on our website at [www.osc.state.nys.us/localgov/pubs/lgmg/fiscal\\_oversight.pdf](http://www.osc.state.nys.us/localgov/pubs/lgmg/fiscal_oversight.pdf).

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The Supervisor should:

6. Destroy the signature stamp and properly affix his signature to checks.

The Board should:

7. Ensure it receives adequate and accurate monthly financial reports.
8. Perform annual audits of the records of all officers and employees who receive and disburse funds.

# Appendix A: Reported General and Highway Fund Balance Sheet Variances

**Figure 5: Reported General Fund\* Balance Sheet Variances**

	Amount Recorded	Actual Balance	Overstated/ (Understated)
<b>December 31, 2019</b>			
<b>Total Assets</b>	\$589,246	\$285,759	\$303,487
<b>Total Liabilities</b>	9,568	10,284	(716)
<b>Fund Balance</b>	\$579,678	\$275,475	\$304,203
<b>December 31, 2020</b>			
<b>Total Assets</b>	\$548,389	\$294,115	\$254,274
<b>Total Liabilities</b>	9,462	10,159	(697)
<b>Fund Balance</b>	\$538,927	\$283,956	\$254,971
* Also includes balances reported in the fire protection fund			

**Figure 6: Reported Highway Fund Balance Sheet Variances**

	Amount Recorded	Actual Balance	Overstated/ (Understated)
<b>December 31, 2019</b>			
<b>Total Assets</b>	\$101,561	\$110,997	(\$9,436)
<b>Total Liabilities</b>	26,088	9,562	16,526
<b>Fund Balance</b>	\$75,473	\$101,435	(\$25,962)
<b>December 31, 2020</b>			
<b>Total Assets</b>	\$137,093	\$162,266	(\$25,173)
<b>Total Liabilities</b>	59,715	43,189	16,526
<b>Fund Balance</b>	\$77,378	\$119,077	(\$41,699)

# Appendix B: Response From Town Officials

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*Town Clerk/Tax Collector*  
Susan Harrington



TOWN OF STONY CREEK  
52 Hadley Road  
P.O. Box 96  
Stony Creek, NY 12878  
518-696-3575 Fax 518-696-3948  
*Supervisor*  
Frank E. Thomas

*Town Council*  
Nate Thomas  
Doreen Ryan  
John D. Thomas  
Ed Lowell

Town of Stony Creek

Supervisor's Response and Corrective Action Plan

Report of Examination 2022M-32

As Supervisor I take and accept full responsibility for the discrepancies identified. An independent audit of the Town's accounts should have been conducted and I resisted not wanting to incur the expense. In the last couple of years, I realized the fund balances being generated by the accounting system were not accurate and attempted to get some guidance from the Town's vendor and their accounting system as to why. The usual response from them was why do you want to do that and we don't do accounting even though they sell accounting systems. The Town's accounting vendor has written instructions that are lacking in information, confusing and the support at times is uncooperative on the edge of belligerent.

The information reported in the AUD was what the accounting system produced.

Through this audit it was identified that the Disbursement and Trust & Agency accounts were established as Funds within the system which caused discrepancies

in the Cash accounts. This is something it would seem the vendor should have alerted the Town would be a problem going forward within the accounting program. The auditor compiled a test trail balance with a known result, when entered into the system did not return the known result. This system will be replaced with something that will operate correctly and provide the guidance when requested.

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The Board has always received monthly operating reports that are accurate in revenues received and expenses paid. Since March 2022 with the recommendation of the auditor the Board has been and will continue to receive detailed reports, monthly of every revenue collected and every expense check written. A receipt book is maintained by myself recording all money that is received and identifying the source of the money. The daily mail is collected by myself including the monthly bank statements and they are reviewed by me when received. Bank statement reconciliations or lack of did not cause these inaccuracies in the fund balances. The reconciliation process within the system does not perform as advertised, again because the disbursement and trust& agency accounts being established as funds within the system. An [REDACTED] program has been established to conduct the monthly reconciliation of the bank statements that will be provided to the Board each month as recommended.

The bookkeeper does not initiate any transaction without approval from myself and the Board. The bookkeeper verifies claims as presented and posts them to the system when approved by the Board, prints and prepares the checks for mailing after being signed by myself. The signature stamp was in existence prior to my time and is authorized by Board resolution each year at the organizational meeting. It is only been used minimally mainly to complete payroll checks when necessary. As recommended the stamp has been removed from use, although to my knowledge there has never been an instance of any problem with it being used.

An independent auditor/accountant will be contacted for recommendations on a new established accounting system or a simpler maybe [REDACTED] based program to maintain the Town's accounts. This is the third system the Town has used and each one has had various issues with accuracy. Returning to a simpler money in, money out, cash balance is the goal without all the behind the screen activity that occurs within these accounting programs that the vendors never explain or acknowledge is occurring. This leaves the accounting and the Town dependent on their system keeping their maintenance fees flowing not to mention the cost to quote upgrade or update the program.

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Going forward the corrective actions to be taken, many that are currently being done are:

- Monthly detailed reports to the Board of every revenue collected and every expense with check numbers, monthly bank statements and reconciliations.
- The signature stamp has been removed and is no longer used.
- Disbursement and Trust & Agency accounts are no longer funds just accounts.
- Separate checks are now cut for general and highway expenses.
- Engage an independent accountant for verification and recommendations for a new accounting system to keep and report the correct fund balances.

Frank E. Thomas

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Supervisor

Town of Stony Creek

6/6/2022

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Corrective Action Plan:

1. Ensure accounting records are accurate.

The monthly accounting and operating statements are and have been accurate. The fund balances are what is at issue. The Town asked for and received an extension for filing the 2021 AUD and made corrections to the fund balances as provided by the comptrollers' auditor. The 2021 AUD was filed on April 29, 2022. The disbursement and trust and agency accounts are no longer set up as funds within the accounting system, expenses are debited directly from the cash of each individual fund and transferred to the disbursement and trust and agency checking accounts for writing checks. An independent accountant will be engaged to ensure that we stay on track and to help establish an accounting of Town funds through an excel program. This will be a straight forward, traceable, on paper accounting, able to produce the proper reports for revenues received, expenses paid, year to date vs budget and cash balances ensuring that the cash accounts are correctly debited and credited. These items will be accomplished by the Supervisor.

2. Ensure the bookkeeper obtains adequate guidance from the accounting application vendor.

The accounting application from the vendor will only be used to print checks as needed to pay for expenses and maintain the payrolls. The accounting application will no longer be used to account for the revenue, expenses and cash accounts because it has proven to be unreliable and has an issue with maintaining the cash balances. Guidance from this vendor is nearly nonexistent unless it is a specific error or technical problem but no information on how the system processes. Guidance will be provided by the Supervisor and an outside accountant.

3. Implement adequate mitigating controls where segregation of duties is not feasible.

All revenues are entered into a receipt book by myself, I get the mail each day, receive and review the bank statements each month and deposit all

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the money at the bank. I review all the bills for payment along with the Board before they are approved for payment each month and the Town Clerk drafts the abstract for each fund. The bookkeeper enters the bills for payment into the system but they are not posted until approved. Once approved the checks are printed and signed, the money is transferred from the funds as needed into the disbursement account and they are mailed. The bookkeeper does not authorize the payment but does verify what is presented for payment is correct numerically and with my help applied to applied to the proper codes within the budget. The payrolls are prepared off time sheets reviewed and verified by the supervisor that is in control of the employees being paid. The checks are printed and signed by myself and either handed out or mailed as the case may be. All transfers within bank accounts are reviewed and verified they match the payrolls that were prepared.

4. Ensure accurate bank reconciliations are prepared monthly and, along with bank statements, are independently reviewed and approved.

The bookkeeper will do the bank account reconciliations each month using an excel spreadsheet provided by the auditor as the reconciliation process within the vendors system does not perform. The Supervisor will ensure they are completed and will review. Copies of the bank statements for each fund and accounts and reconciliations for each will be provided to the Board each month for their review.

5. Ensure the financial information presented in the AUD is accurate and supported by the accounting records.

Taking the steps stated in number 1-4 will ensure the reporting for the AUD will be accurate. The monthly accounting of expenses and revenues have been and continue to be accurate. It has been the cash balances generated by the accounting application that has caused the inaccuracies. Changing to an ██████ based format the cash balances can be closely monitored and more easily traced as to how they are arrived to ensuring they're correct. Engaging an outside accountant to verify and review the accounts will also

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ensure the accuracy of the cash balances. The Supervisor will be responsible for accomplishing this.

6. Destroy the signature stamp and properly affix his signature to checks.

The signature stamp has been removed from the premises and is no longer used. Ninety five percent of the time I have signed the checks and I must reiterate that the signature stamp has been around for over thirty years authorized by the Board each year and to my knowledge there has never been an incident of misuse by anyone.

The Board should:

7. Ensure it receives adequate and accurate monthly reports.

The Board will continue to receive accurate monthly operating statements and will also be provided a detailed listing of all revenues, detailed report of all expenditures including payrolls, listing of all checks printed bank statements and reconciliations and trial cash balances for each fund each month. These will be provided by the Supervisor.

8. Perform annual audits of the records of all officers and employees who receive and disburse funds.

Each year the Town conducts an annual settlement meeting at the beginning of the year, usually at the end of a regular monthly Town Board meeting. Going forward a separate meeting(s) will be scheduled and using the guidance and question sheets from the Comptroller's website will greatly improve the audit of each department. An independent auditors report will also be provided at the beginning of the year for review by the Board. The Supervisor will schedule the meeting(s) and engage an outside auditor.

Frank E. Thomas Supervisor, Town of Stony Creek

## Appendix C: Audit Methodology and Standards

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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 the bookkeeper and reviewed various financial records and reports and Board minutes to gain an understanding of the bookkeeper's process for maintaining accounting records, reports provided to the Board and the Board's oversight of financial operations, including the annual audit process. We also interviewed Board members to determine the existence and effectiveness of any compensating controls implemented to mitigate the risk over the lack of segregation of duties.
- We selected all balance sheet accounts for the general and highway funds and used our professional judgment to select a sample of five revenue accounts and five expenditure accounts for the general and highway funds for 2019, 2020 and 2021 to determine whether they were properly recorded and supported. Our sample of revenue accounts included the five largest revenues selected from the 27 recorded in the accounting records for 2019, 31 recorded in 2020 and 29 recorded in 2021. Our sample of expenditure accounts was based on a comparison and analysis of total expenditures recorded and reported in the AUD and included expenditure accounts with various object codes selected from the 78 expenditure accounts recorded in the accounting records for 2019, 81 recorded in 2020 and 75 recorded in 2021.
- We confirmed with the bookkeeper that bank reconciliations are not performed to agree reconciled cash balances to the accounting records.
- We used our professional judgment to select nine months within our 36-month scope period to review the Supervisor's reports provided to the Board. We selected the months of January, June and December for each year. We reviewed these reports to determine whether they were adequate and included required details of money received/disbursed during the month, budget status reports and detailed cash balances.

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

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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 Clerk's office.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://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](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://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/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/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](http://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](http://www.osc.state.ny.us/local-government/publications)

### **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](http://www.osc.state.ny.us/local-government/academy)

## Contact

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