



Town of Putnam

Accounting Records and Reports

2022M-188 | March 2023

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Report Highlights

Town of Putnam

Audit Objective

Determine whether the Town of Putnam (Town) Town Supervisor (Supervisor) maintained complete, accurate and timely financial records and reports.

Key Findings

The Supervisor did not maintain the Town's accounting records and reports, as required, in a complete, accurate, up to date or timely manner. Without reliable accounting records, the Town Board (Board) cannot make sound financial decisions.

- Due to the Supervisor's lack of oversight of the former bookkeeper, including ensuring bank reconciliations were performed, the Town's accounting records were not reliable.
 - Real property tax revenues were overstated by a total of \$782,864 in the general fund and understated in the highway and fire protection funds.
 - \$49,765 in sales tax and other department revenues were not recorded.
 - Cash balances in the general fund were understated by \$69,968 and highway fund cash balances were understated by \$54,570.
- The Board did not annually audit the Supervisor's records.
- As of May 31, 2022, the 2019 through 2021 annual update documents (AUDs) were not filed with the Office of the State Comptroller (OSC), as required. The AUDs were between 91 and 822 days late.

Key Recommendations

- Maintain proper accounting records, complete bank reconciliations, perform annual audits and file AUDs on a timely basis.

Town officials agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on issues raised in the Town's response letter.

Background

The Town, located within Washington County, is governed by an elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for overseeing the Town's operations and finances.

The Supervisor is the chief executive and chief financial officer and is responsible for maintaining accounting records that adequately document the assets, liabilities, fund balances and results of operations (revenues and expenditures) for each Town fund, as well as filing required reports. The Supervisor appointed a bookkeeper to assist with these duties.

The Town's main operating funds are the general, highway, fire protection and sewer.

Quick Facts

2022 Adopted Appropriations	\$1.7 million
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AUDs Not Filed as of May 31, 2022

Year	Days Late
2019 AUD	822
2020 AUD	456
2021 AUD	91

Audit Period

January 1, 2020 – May 31, 2022

We expanded our scope back to January 1, 2018 to determine whether AUDs and extensions were filed and to determine the last Board audit of the Supervisor's records.

Accounting Records and Reports

How Should a Town Supervisor Maintain Records and Reports?

A town supervisor should ensure town records provide sufficient detail to ensure that revenues and expenditures, as budgeted and collected or expended, are recognized and recorded in the proper fund. The supervisor must provide monthly reports to the town board, including a balance sheet and detailed budget-to-actual comparisons of revenues and expenditures, totaled by account code, for each fund.

A supervisor should ensure monthly bank reconciliations are performed to help ensure all collections and disbursements are properly recorded and provide a way to identify, correct and document differences between the town's records and bank transactions. The reconciliations should be provided to the board for review on a monthly basis, along with the supervisor's monthly report of financial activity.

The supervisor can assign the duties for maintaining the accounting records to a bookkeeper, however the supervisor still maintains the responsibility for the accuracy and timeliness of the financial records. As such, the supervisor must provide sufficient oversight to ensure the bookkeeper maintains suitable records, documents financial information accurately and in a timely manner, and provides useful reports to the town board.

The supervisor also must file an AUD with the OSC within 60 days of the end of a town's fiscal year (December 31) or request an extension which, if granted, would extend the deadline an additional 60 days. The AUD provides a town board, OSC, town residents and other interested parties with a transparent tool to monitor and evaluate financial operations.

The Supervisor Did Not Maintain Adequate and Timely Accounting Records

The Supervisor provided little oversight of the former bookkeeper to ensure the accounting records were maintained on a timely basis. In 2019, the former bookkeeper fell behind in performing her accounting duties for recording revenues and expenditures and also did not process payroll and disbursements timely. The Supervisor told us that he spoke to the former bookkeeper several times regarding her performance in maintaining the accounting records, but he did not establish deadlines as to when the work would be completed. In May 2021, the Supervisor appointed a confidential secretary to assist the former bookkeeper in the processing of disbursements and payroll. The former bookkeeper continued to fall behind in maintaining the accounting records until March 2022, when the Board asked for her resignation. The Board hired a new bookkeeper in June 2022. In addition to maintaining the current accounting records, the bookkeeper is also updating the accounting records for 2020 and 2021 while reviewing the records for 2019 for any necessary adjustments.

We examined the accounting records for the fiscal year ending 2021 and found that while expenditures were accurately recorded, revenues were not recorded timely or accurately. We found that while 2021 real property tax collections totaling \$1,123,659 were properly deposited in the appropriate fund bank accounts to fund operations, the former bookkeeper recorded the revenues for the total tax collections in the general fund, even though only \$340,795 was budgeted for the general fund in 2021. As result, recorded real property tax revenue was overstated by \$782,864 in the general fund and understated in total by the same amount in the highway and fire protection funds. We also observed that sales tax collections and other departmental revenues deposited totaling \$49,765 were not recorded in the accounting records maintained by the former bookkeeper. As a result, these revenues were also understated by \$49,765.

The Supervisor did not ensure bank reconciliations were completed during our audit period. We performed bank reconciliations to determine the adjusted bank balances for the three general fund bank accounts and the two highway fund bank accounts for the month ending December 31, 2021. We found the recorded cash balance in the general fund was understated by \$69,968 and cash balance in the highway fund was understated by \$54,570. This occurred because the former bookkeeper did not properly record all transfers or cash deposits for sales tax collections and departmental remittances in the accounting records. The failure to regularly reconcile adjusted bank balances to recorded cash balances prevents timely detection of accounting errors and increases the risk that fraudulent transactions could occur and go undetected.

We also found balance sheet accounts for payroll liabilities and interfund advances were not properly maintained due to carrying over unsupported balances from prior years. As a result of these accounting errors, the general fund balance was understated by \$99,299 and the highway fund balance was understated by \$64,115.

While the Board received monthly budget to actual reports, these reports did not accurately report revenues, resulting in balance sheets reporting incorrect cash and fund balances. Without accurate accounting and reporting of revenues, assets, liabilities and fund balances, the Board cannot make sound financial decisions on future purchases and for the budgeting of appropriated fund balance in subsequent years.

The Supervisor Did Not File AUDs In a Timely Manner

The Supervisor did not file AUDs for the 2018 through 2021 fiscal years in a timely manner, nor did the Supervisor file for an extension. As shown in Figure 1, AUDs were not filed by the due date. The 2018 AUD was filed on April 27, 2019, or 57 days late. The AUDs for 2019 through 2021 have not been filed as of May 31,2022 and are 91 to 822 days late. The Supervisor and all four Board members

told us the primary reason for not filing the last three AUDs in a timely manner was a combination of the former bookkeeper not maintaining timely records, as well as a lack of oversight by the Supervisor of the former bookkeeper’s work.

The absence of the AUDs impairs the Board’s, Town residents’ and other interested parties’ ability to monitor the Town’s operations and financial condition. As such, the Board’s ability to make informed decisions and manage Town operations is impaired. Failing to file timely AUDs for four consecutive years calls into question the financial standing of the Town, as well as the effectiveness of the management of the Town in general.

Figure 1: AUD Filings

Fiscal Year	Due Date	Days Late
2018	3/1/2019	57
2019	2/29/2020	822
2020	3/1/2021	456
2021	3/1/2022	91

Why Should a Town Board Perform an Annual Audit of the Town Supervisor’s Records?

The annual accounting helps a town board fulfill its overall fiscal oversight responsibilities by providing it with an opportunity to assess the reliability of the books, records and supporting documents. It also serves to identify conditions that need improvement and provides useful information to help a board oversee a town’s financial operations. Unless a certified public accountant or public accountant has been hired to audit the supervisor’s records within 60 days after the close of the fiscal year, a supervisor is required to submit an annual accounting to a board on or before January 20th for all funds received and disbursed during the preceding year and produce all books, records, receipts and cancelled checks for inspection by the board.

The Board Did Not Annually Audit the Supervisor’s Records

The Board did not audit, contract with an independent public accountant to audit or ensure the Supervisor provided an annual accounting for 2018 through 2021. Also, while two of the Board members attended New Town Official training provided by the Association of Towns, which covers the annual audit requirement, all four Board members told us they were unaware of the annual audit requirement and further stated that they did not have procedures in place to perform the audit. Had the Board completed an audit, it may have noticed the deficiencies with the accounting records and that bank reconciliations were not completed in a timely manner, and it could have initiated corrective action. In addition, without an annual audit, Town officials are at risk of failing to detect and correct errors, irregularities or potentially fraudulent activity in a timely manner.

What Do We Recommend?

The Supervisor should:

1. Maintain accurate accounting records that document assets, liabilities, fund equity and results of operations for each Town fund.
2. Perform complete and accurate monthly bank reconciliations in a timely manner.
3. Prepare and provide accurate monthly financial reports to the Board which includes budget-to-actual comparisons, balance sheets including fund balance amounts and reconciled cash balances for each fund.
4. Prepare and file AUDs with OSC within 60 days after close of the financial year.

The Board should:

5. Require that the Supervisor provide monthly financial reports that includes budget-to-actual comparisons, balance sheets including fund balance amounts and reconciled cash balances for each fund.
6. Review bank reconciliations each month and ensure that any discrepancies are investigated and corrected immediately.
7. Require the Supervisor to prepare and submit AUDs to OSC in a timely manner.
8. Annually audit the Supervisor's records and reports by January 20 of the following year or engage the services of a certified public accountant or public accountant to conduct the audit.

Appendix A: Response From Town Officials

TOWN OF PUTNAM

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Putnam Station, N.Y. 12861
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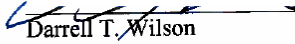
Unit Name: Town of Putnam
Audit Report Title: Accounting Records and Reports, Report of Examination
Audit Report Number: 2022M-188

The town board of Putnam acknowledges the key findings contained in this report. The characterization of key findings is less than accurate. Oversight resulted in changes to the town's accounting services. The process of acquiring competent, cost effective accounting services took more time than expected, resulting in accounting errors, untimely reporting, and inadequate audits. The accounting mistakes outlined in the report are corrected and did not adversely affect the overall budget decisions made by the town board.

See
Note 1
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The town board agrees with each recommendation. These recommendations will be the foundation for our Corrective Action Plan to improve our processes.

Signed:



Darrell T. Wilson
Supervisor

2/22/2023
Date

Appendix B – OSC Comment on the Town’s Response

Note 1

The report accurately reflects that the accounting records were not maintained accurately or timely during the audit period. While the Supervisor took steps to hire a new bookkeeper, this did not occur until after the end of our audit period.

Appendix C: 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 to gain an understanding of the Town's processes and operations and to determine whether internal controls were in place over financial management.
- We interviewed Board members to determine if they received financial information that allowed them to provide sufficient oversight of Town operations and finances.
- We reviewed the Town's financial information and, on a test basis, reviewed the available accounting records including the general ledger and adopted budgets for the 2021 fiscal year.
- We completed bank reconciliations for all bank accounts of the month ending December 31, 2021, to determine the cash balances for all funds and compare the reconciled balances to the cash balances recorded in the accounting records.
- We interviewed the Supervisor and reviewed OSC records of AUD filings to determine if the annual financial reports were completed and filed on a timely basis.
- We reviewed Board minutes and interviewed Board members to determine whether the Board audited the Supervisors' records or caused them to be audited.

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 Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

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

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

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/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

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

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

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Contact

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