

# Town of St. Armand

## Selected Financial Operations

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NOVEMBER 2017

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

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# Report Highlights

## Town of St. Armand

### Audit Objectives

Determine whether:

- The Supervisor maintained complete and accurate accounting records and reports to allow the Board to effectively monitor the Town's financial operations and its overall financial condition.
- Town officials effectively managed the billing, collection and enforcement of water and sewer charges.
- The Town had proper claims auditing procedures and the Supervisor provided adequate oversight of the disbursement of Town funds.

### Key Findings

- Revenues and expenditures were not properly accounted for resulting in taxpayer inequities.
- The Town lacked effective procedures to ensure water and sewer charges were accurately billed, collected and enforced.
- 26 of 50 claims reviewed (52 percent) totaling \$59,113 were not audited and approved by the Board prior to payment.

### Key Recommendations

- Ensure revenues and expenditures are allocated in the proper fund in accordance with statutory requirements.
- Establish written policies and procedures to provide adequate guidance and improve internal controls over billing, collecting and enforcing water and sewer charges.
- Audit and approve claims prior to payment in accordance with Town Law.

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

### Background

The Town of St. Armand (Town) is located in Essex County (County) and includes a portion of the Village of Saranac Lake (Village) within its borders.

The Town is governed by an elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for receiving, disbursing and retaining custody of Town money, maintaining accounting records and providing financial reports to the Board.

#### Quick Facts

Population	1,550
2016 Budgeted Appropriations	\$1.6 million
Bloomington Water District Customers	315
Bloomington Sewer District Customers	255

### Audit Period

January 1, 2015 – December 31, 2016. We expanded our scope back to January 1, 2010 for our review of the allocation of sales tax revenues.

# Financial Records and Reports

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The Supervisor has assigned his duties of maintaining the accounting records and preparing bank reconciliations and financial reports to an accountant. The Town employed three individuals as accountants during our audit period, which consisted of a former accountant who was employed through April 1, 2016, another former accountant who was employed from March 22, 2016 through November 4, 2016 and the current accountant who has been employed since November 6, 2016.

The Town's accounting records included 17 funds during our audit period, which consisted of the following: town-wide general, town-wide highway, part-town highway, cemetery, two water districts, a sewer district, three fire protection districts, community development, five capital projects and trust and agency. The Town had two active capital projects during our audit period. These projects included demolishing the Town's highway garage and constructing a new highway garage (garage project) at a maximum cost of \$925,000 and upgrading the Town's wastewater treatment plant (sewer project) at an estimated maximum cost of approximately \$5.4 million.

## **How Should the Supervisor Record and Report Financial Transactions?**

The Supervisor, as the chief fiscal officer, is responsible for maintaining accounting records. If the Supervisor assigns these duties to an assistant, the Supervisor should provide sufficient oversight to ensure the assistant maintains suitable records and documents financial information accurately and on a timely basis. The accounting records should document the assets, liabilities, fund equity and results of operations (revenues and expenditures) for each Town fund. Each fund is a fiscal accounting entity.

Because there is a Village located within the Town, the Town must maintain separate funds to account for transactions which are required by law to be accounted for as part-town activities. The Town's main operating funds include the town-wide general and highway funds, which have tax bases encompassing the whole Town and the part-town general and highway funds, which have tax bases encompassing only the portion of the Town that lies outside the Village's boundaries. Because the Town's financial transactions affect different tax bases, the Supervisor must ensure the Town's financial activity is recorded in the proper funds to maintain equity among taxpayers. The accounting records also must be maintained in a complete, accurate and timely manner to be relevant and useful for managing Town operations.

The reconciliation of bank account balances to general ledger cash balances is an essential control activity that allows for the timely identification and documentation of differences between the Town's book balances and bank balances. Bank reconciliations also serve as an internal verification of cash receipt and

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disbursement transactions. As such, bank reconciliations should be prepared and independently reviewed on a monthly basis.

In addition, while it is the Supervisor's responsibility to prepare and file the annual financial report (AFR),<sup>1</sup> the Board should have procedures in place to review the report to ensure it is accurate and supported by the accounting records. Because the Board is ultimately responsible for the Town's financial operations, it should require the Supervisor to present complete and accurate financial reports.

### **Accounting Records Were Not Properly Maintained**

The Supervisor did not provide oversight of the accountants' duties related to maintaining the accounting records. Consequently, we found significant deficiencies with the Town's accounting records, which included, but were not limited, to the following:

- A part-town general fund was not maintained during our audit period to account for transactions which were required to be accounted for as part-town activities, such as financial transactions related to the public health officer, registrar of vital statistics and code enforcement.
- As of December 31, 2016, the capital projects fund for the garage project had a bond anticipation note (BAN) payable balance of \$800,000 even though the Town had paid off the \$800,000 BAN on April 29, 2016 by issuing serial bonds totaling \$700,000 and using operating funds.
- The town-wide general fund made interfund advances to the sewer capital projects fund totaling \$181,168 in 2016, but was repaid \$221,248 in error, resulting in the town-wide general fund owing the sewer capital projects fund \$40,080, as of December 31, 2016. However, the \$40,080 interfund liability was not recorded in the town-wide general fund.
- Revenues totaling \$700,000 for serial bonds were recorded in the town-wide general fund in 2016. These debt proceeds should have been recorded in the garage capital projects fund because they were for the garage project. As a result, the town-wide general fund's revenues were overstated in the accounting records by \$700,000, or approximately 61 percent of the total recorded revenues for the fund, as of December 31, 2016.
- Revenues totaling \$65,184 were recorded in the Bloomingdale sewer district for financing received from EFC in 2016. The EFC financing was for water improvements made to the Bloomingdale water district. As a result,

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<sup>1</sup> NYS General Municipal Law requires the Supervisor to prepare and file an AFR with the Office of the State Comptroller within 60 days after the close of the fiscal year.

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the sewer district's revenues were overstated and the Bloomingdale water district's revenues were understated by \$65,184 for 2016.

- Permanent improvement expenditures totaling \$73,235 for 2015 and \$2,193 for 2016 were recorded in the part-town highway fund. The Town incurred related expenditures totaling \$81,377 in 2015 and \$15,254 in 2016. As a result, this expenditure account was understated by \$8,142 in 2015 and \$13,061 in 2016, which were also improperly recorded in the town-wide highway fund.<sup>2</sup>
- No personal service or employee benefit (i.e., health insurance) expenditures were allocated to the part-town highway fund in 2015 or 2016, but instead were all allocated to the town-wide highway fund. This occurred because, although the Highway Superintendent provided the accountant with the number of hours worked by highway employees, he did not maintain records of the actual work performed. As a result, Town officials could not allocate these costs to the appropriate accounts or funds.

The Supervisor's lack of oversight over the accountants' maintenance of records has resulted in the Town's accounting records for the operating and capital projects funds being incomplete, inaccurate and unreliable. As a result, the Board was unable to adequately monitor the Town's financial operations and determine the true financial condition of the Town's operating funds and capital projects. In addition, the Supervisor's failure to ensure revenues and expenditures were properly recorded has caused inequities among the Town's taxpayers.

### **Sales Tax Revenues Were Not Properly Allocated**

The Town improperly allocated its sales tax revenue. The Town and the Village receive separate sales tax distributions directly from the County.<sup>3</sup> However, from 2010 through 2016, the Town did not allocate sales tax revenue to its part-town funds to eliminate property tax levies in those funds before allocating any remaining sales tax revenue to its town-wide funds. As a result, \$277,744 was improperly allocated to the town-wide general fund causing taxpayer inequities to occur.

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2 In towns containing villages, taxes for highway repairs and improvements are imposed on the area of the town outside the village, whereas taxes for bridges, machinery and snow and miscellaneous expenditures are imposed on a town-wide basis.

3 When a town and a village within the town both receive sales tax revenue directly from the county, the town must use the sales tax to reduce real property taxes for the part-town funds. If a town eliminates the real property tax levy in its part-town funds, it can then choose to allocate a portion of its remaining sales tax revenues to reduce real property taxes for its town-wide funds, to reduce the county real property taxes levied in the area of the town outside the village or to fund additional part-town activities, or any combination of these options.

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Specifically, from January 1, 2010<sup>4</sup> through December 31, 2016, the County distributed \$323,771 in sales tax revenues to the Town, all of which was allocated to the town-wide general fund. However, during the same period, the Board levied real property taxes totaling approximately \$306,000 in the part-town highway fund. Therefore, Town officials allocated sales tax revenues to the town-wide general fund before using such revenue to eliminate the property tax levy in the part-town highway fund.<sup>5</sup> This practice resulted in taxpayer inequity because Town taxpayers residing outside the Village did not receive all the benefit they should have from the sales tax revenues received from the County. The Town's method of allocating sales tax revenue was not in compliance with statute. As a result, Town taxpayers with real property located in the Village received an extra benefit from the sales tax distributed at the expense of taxpayers with property located outside the Village.

Town officials told us this occurred because they were not aware of the statutory requirement to allocate sales tax revenues to the part-town funds to eliminate the real property tax levy for these funds before they can be allocated to the town-wide funds.

### **Bank Reconciliations Were Not Properly Prepared and Were Never Reviewed**

We selected three months during our audit period (April 2015, December 2015 and June 2016), which included 44 prepared bank reconciliations. The adjusted bank balances did not agree with the general ledger cash balances at month-end for seven of these reconciliations. The discrepancies ranged from the adjusted bank balance exceeding the general ledger cash balance by \$802,752 to the general ledger cash balance exceeding the adjusted bank balance by \$9,777.

These discrepancies occurred for various reasons, but were predominately the result of financial transactions not being properly recorded in the Town's accounting records and disbursements being made from the incorrect bank account. These errors were not promptly identified and resolved because no one independently reviewed the bank statements and the bank reconciliations the accountants prepared during our audit period.

Furthermore, the accountants did not correct the errors when identified on the monthly reconciliations, causing the variances between the adjusted bank balances and general ledger cash balances. In addition, a bank reconciliation was not prepared for the trust and agency checking account for April 2015. In fact,

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4 The County started to share sales tax revenues with the Towns and Villages within the County on this date.

5 The part-town general fund did not have a real property tax levy from 2010 through 2016 because the Board did not include this fund in the corresponding adopted budgets.

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we found that for 2015, bank reconciliations for the trust and agency checking account were only prepared for December. The inadequate preparation and oversight of bank reconciliations increases the risk that errors or irregularities could occur and remain undetected.

### **The AFR Was Not Accurate and Was Not Provided to the Board**

The errors in the accounting records carried forward to the AFR. A former accountant prepared and filed the 2015 AFR using the accounting records. As a result, this AFR was inaccurate to the extent no significant adjustments were made to correct the previously noted errors and deficiencies in the accounting records on which it was based. In addition, the 2015 AFR was not provided to the Supervisor or Board members for their review to ensure it was accurate.

The lack of an accurate AFR prevented the Board, residents and other interested parties access to reliable financial information which can be used to measure the effectiveness of operations and the Town's overall fiscal health.

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

The Supervisor should:

1. Ensure the Town's accounting records are complete, accurate and maintained in a timely manner.

The Board should:

2. Ensure the accounting records are adjusted to properly reflect correct account balances.
3. Review statutory requirements relating to the allocation of revenues and expenditures and ensure revenues and expenditures are allocated in the proper fund in accordance with these requirements.
4. Consult with its legal counsel to determine what remedies are available to address the taxpayer inequities identified in this report.
5. Ensure complete and accurate monthly bank reconciliations are prepared and along with the bank statements are independently reviewed and approved.
6. Ensure the financial information presented in the AFR is accurate and supported by the accounting records.

The Highway Superintendent should:

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7. Document the work performed by highway employees and provide that information to the accountant so payroll costs can be properly allocated between the town-wide highway and part-town highway funds.

# Water and Sewer District Financial Operations

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The Town established the Bloomingdale water district, Rockledge water district and Bloomingdale sewer district. The Town is responsible for billing and collecting water and sewer charges for customers in the Bloomingdale water and sewer districts. The Village performs these functions for customers in the Rockledge water district because they are connected to the Village's water system. Our audit focused on billing, collecting and enforcing water and sewer charges for customers in the Bloomingdale water and sewer districts.

## **How Are Water and Sewer Financial Operations Effectively Managed?**

The Board is responsible for effectively managing the Town's water and sewer financial operations. Effective management requires the Board to establish policies and procedures providing guidance and oversight for employees involved in billing, collecting and enforcing water and sewer charges. It is important policies and procedures provide for a proper segregation of duties so a single individual does not control all aspects of a transaction. In instances where adequate segregation is not possible due to a limited number of staff, a detailed supervisory review of employees' activities could ensure policies and procedures are properly followed and cash assets are properly accounted for, accurately reported and adequately protected.

In addition, the Board is responsible for establishing rates for all water and sewer charges and overseeing all billings to ensure customer bills are accurate. All individual customer water and sewer charges billed should be recorded in receivable control accounts.<sup>6</sup> To ensure the receivable control accounts are accurately maintained, these accounts should be reconciled each month with the amounts billed, collected and unpaid. For those situations where billing adjustments are necessary, the Board should establish written procedures to address the approval and documentation process. For example, the Board or a designated official should approve the amount of each adjustment and adequately document its origination, justification and approval date.

The Board is also responsible for ensuring penalties on customers' delinquent accounts are properly assessed and collected. It should also review and approve the list of relieved water and sewer accounts<sup>7</sup> by comparing the list to a delinquent customer account report generated from the billing and collecting software to ensure all overdue accounts are properly relieved.

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<sup>6</sup> These control accounts, typically referred to as water rents receivable and sewer rents receivable, will contain a balance reflecting the total amount of unpaid water and sewer billings owed to the Town by customers.

<sup>7</sup> Relieved water and sewer accounts are those that are unpaid as of a certain date and are added to the customers' tax bills in order to enforce collection.

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## **Adequate Oversight Procedures Were Not Implemented**

The Town did not have comprehensive written policies and procedures or implement sufficient compensating controls over billing, collecting and enforcing water and sewer charges. The current and former Town Clerk<sup>8</sup> performed all duties related to water and sewer charges, which included maintaining the customer master file, setting up the applicable rates each customer would be charged, entering manual meter readings, preparing and printing bills, collecting and recording payments, preparing and making bank deposits, making adjustments, applying penalties to delinquent accounts and preparing the list of unpaid customer accounts to be relieved by the County.

Town officials did not implement adequate compensating controls to reduce the risk involved in concentrating key water and sewer district financial responsibilities with the Town Clerk. Although the Board adopted water and sewer rates and the Supervisor was provided with the quarterly billing registers, no one compared the billing registers to the manual meter readings to ensure customer bills were accurate. In addition, the accountants did not maintain control accounts in the Town's accounting records for water and sewer charges billed and collected during our audit period. Furthermore, there was no independent review to ensure penalties were properly assessed to delinquent accounts and the Board did not review and approve the relevy list prepared by the Town Clerk before the unpaid amounts were remitted to the County for relevy.

## **Bills Were Inaccurate and Customer Accounts Were Not Properly Maintained**

We reviewed 50 water and sewer bills totaling \$12,290 (\$5,325 in water charges and \$6,965 in sewer charges) and related payments to determine whether the bills were accurate and correctly recorded in the customers' accounts, the payments equaled the amount billed plus penalties, if applicable, and the payments were properly recorded in the customers' accounts. We found 10 bills (20 percent) were inaccurate, resulting in two customers being underbilled a combined total of \$173 and eight customers being overbilled a combined total of \$330. For example, a customer was underbilled because they were not billed for the water and sewer services they received for the quarter. In addition, seven customers were overbilled because they were over assessed penalties for previous unpaid water and sewer charges.

In addition, for 12 of the 41 bills, in which a payment was received, the customers did not pay the amounts owed because of billing errors and penalties that were not assessed on payments received after the due date. This resulted in lost

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<sup>8</sup> The Town had two Town Clerks during our audit period. The former Town Clerk was employed through May 31, 2016 and the current Town Clerk has been employed since June 1, 2016.

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revenues to the Town of \$146 and customer overpayments of a combined total of \$99. We also found that the Town Clerk did not ensure that all accounts were relieved or relieved at the correct amount. We traced seven of the unpaid bills to a relieved list and found these accounts were relieved for more than they should have been by a combined total of \$283. The other two unpaid bills were not relieved.

We also compared 25 water district parcels and 25 sewer district parcels with the customer accounts within the billing and collecting software to determine whether customers were being billed for services received. Except for one minor exception, which we discussed with Town officials, all these parcels were being billed.

### **Approval of Adjustments Was Not Documented and Adjustments Were Not Always For Appropriate Purposes**

We reviewed 20 adjustments to customer accounts totaling \$1,546 during our audit period to determine whether they were approved by the Board prior to being made and were for appropriate purposes. There was no documentation indicating any of the adjustments were approved prior to being made. Instead, the Supervisor told us he only provided verbal authorization to the Town Clerk to make adjustments to customer accounts.

In addition, eight of the adjustments totaling \$941 were not for appropriate purposes. For example, three adjustments totaling \$39 were made to remove penalties that had been assessed to customer accounts, even though the customers had not paid their bills by the due dates. We also found the other five adjustments totaling \$902 were made to reduce the customers' usage. We found the adjustments were not properly made and supported. As a result, these customers were not billed for a combined total of 75,200 gallons they should have been, which was valued at \$772. In total, these eight adjustments resulted in lost revenues to the Town totaling \$811.

Furthermore, although 10 other adjustments totaling \$467 appeared to be for an appropriate purpose, we could not determine whether the amount of the adjustments were appropriate. Specifically, seven of these adjustments totaling \$312 were made to customer accounts to reduce their usage based on the bills that were issued for the second quarter of 2015. The bills for that quarter indicated that if a customer had to run water due to freezing temperatures, they should contact the Town Clerk for an adjustment on their bill. However, we could not determine whether the amount of the adjustments were appropriate because the Town did not have a policy outlining how these adjustments should be made and instead left it to the Town Clerk's discretion. We found the Town Clerk did not use the same methodology to adjust each customer's usage and in certain instances we could not determine the basis for the adjustment.

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We also found the other three adjustments totaling \$155 were made to customer accounts to reduce their sewer usage because the customers submitted letters to the Town Clerk indicating they had filled their pool. The Board did not have a policy authorizing adjustments to customer accounts for sewer usage based on filling a pool. The Supervisor told us this has been a past practice of the Town. However, we could not determine whether the amount of the adjustments were appropriate because the Town did not have a policy outlining how these adjustments should be made or a basis for reducing the amount of gallons for sewer usage.

### **How Should Delinquent Accounts Be Enforced?**

The Town's water and sewer regulations (Regulations) establish delinquent water and sewer rents will be assessed a 10 percent penalty for non-payment approximately 30 days after the first bill. Town officials are responsible for ensuring penalties on delinquent customer accounts are properly assessed and collected. In addition, the Regulations establish all delinquent accounts at the end of September will be relieved onto the customer's property tax bill by the County. The Board should review and approve the list of relieved water and sewer accounts by comparing it to a delinquent customer account report from the billing and collecting software to ensure all accounts are properly relieved.

### **Delinquent Accounts Were Not Always Enforced In Accordance with Board Policy**

We reviewed 25 unpaid customer accounts at the due dates during our audit period and found penalties were not assessed to 17 customers (68 percent) in accordance with Board policy, resulting in lost revenues to the Town totaling \$250. Specifically, the Town did not assess penalties to 15 of these customers and assessed penalties of less than 10 percent to the other two customers. These errors occurred and remained undetected because there was no independent review to ensure penalties were properly assessed.

In addition, although the Regulations establish that all delinquent accounts at the end of September will be relieved onto the customer's property tax bill by the County, the Town used the date of November 17th during the 2015 and 2016 fiscal years. We also found the Board did not review and approve the Town Clerk's lists of relieved water and sewer accounts that were sent to the County at the end of the 2015 and 2016 collection periods. Therefore, the Board could not ensure all unpaid accounts were properly relieved.

We reviewed 20 delinquent customer accounts at the end of the 2015 and 2016 fiscal year collection periods totaling \$1,874 and \$4,113, respectively. We found five delinquent accounts (25 percent) totaling \$3,394 were relieved. The other

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15 delinquent accounts (75 percent) totaling \$2,593 were not relieved. Instead, the unpaid balances remained in these customer accounts and the customers were allowed to make payments at their discretion. In fact, one customer had an unpaid balance of \$208 at the end of the 2015 fiscal year collection period and the customer never made a payment during the 2016 fiscal year. As a result, the Town did not enforce collection on the unpaid balance from 2015 until it was included in the list of relieved water and sewer accounts sent to the County at the end of the 2016 collection period for relevy on the 2017 tax bill.

We also compared the total dollar amount of delinquent accounts at the end of the 2015 and 2016 collection periods to the lists of relieved water and sewer accounts sent to the County and found the delinquent accounts not sent to the County totaled \$17,952 for 2015 and \$15,662 for 2016.

When penalties are not assessed and delinquent accounts are not relieved, there is no incentive for customers to make payments when due, which could prevent or result in the delay of collections and create cash flow issues for the water and sewer district.

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

The Board and Town officials should:

8. Establish written policies and procedures to provide adequate guidance and improve internal controls over billing, collecting and enforcing water and sewer charges.
9. Ensure penalties are correctly assessed on all delinquent accounts in accordance with the Town's Regulations.

Town officials should:

10. Segregate duties over billing, collecting and enforcing water and sewer charges. If it is not practical to segregate duties, establish appropriate compensating controls, such as increased management review procedures.
11. Generate billing registers for each water and sewer billing, which should be reviewed by the Board.
12. Ensure all customers are correctly billed for water and sewer services.

The Supervisor should:

13. Ensure the accountant properly maintains water and sewer receivable control accounts in the Town's accounting records and Town officials

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prepare monthly reconciliations of these accounts with the supporting detailed records.

The Board should:

14. Review and approve all adjustments made to customer accounts and ensure they are adequately documented or designate someone independent of the billing and collecting process to perform these functions.
15. Review and approve the list of relieved water and sewer accounts by comparing it to a delinquent customer account report from the billing and collecting software to ensure all delinquent accounts are properly relieved.
16. Consult with its legal counsel to determine whether any retroactive billing adjustments should occur.

# Claims Auditing and Disbursements

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## What Are Proper Claims Auditing Procedures?

Town Law requires the Town Clerk to sequentially number claims and present them to the Board for audit and for the Board to adopt a resolution authorizing the payment of the approved claims. Effective claims auditing procedures ensure every claim against the Town is subject to a thorough and deliberate review and contains enough supporting documentation to determine whether it complies with statutory requirements and policies and the amount claimed represents an actual and necessary Town expenditure. With limited exceptions,<sup>9</sup> Town Law requires the Board to audit and approve all claims against the Town prior to directing the Supervisor to pay them.

After the claims have been audited, the Town Clerk is required to list Board-audited and approved claims on an abstract, specifying the number of each claim, the name of the claimant, the amount allowed and the fund and appropriation account to be charged. The Town Clerk then must sign and present the abstract to the Supervisor, directing him to pay the claims listed. As such, signed checks should only be generated after the claims are audited and approved for payment.

## Claims Auditing Procedures Were Not Adequate

The Town's claims auditing procedures were not adequate. The Supervisor indicated the Board performs a deliberate audit of each claim, which is indicated by the Board members' signatures on individual claims. However, claims presented to the Board were not sequentially numbered and the Board minutes did not include resolutions indicating the claims approved.<sup>10</sup> In addition, although the Town Clerk prepared abstracts subsequent to the Board's audit of claims, the abstracts were never presented to the Supervisor directing him to pay the claims listed. This occurred because Town officials told us the accountants generally printed and issued signed checks prior to the Board's audit and approval of the corresponding claims. As a result, the claims were actually paid prior to the Board's review and approval.

We reviewed 50 check disbursements totaling \$88,970 made to pay claims during our audit period to determine whether the corresponding claims for the disbursements were supported by adequate documentation, for appropriate

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<sup>9</sup> The Board may, by adopting a resolution, authorize payment of certain claims in advance of its audit. Claims that may be paid in advance include claims for public utility services, postage, freight and express charges. Such prepaid claims must still be presented for audit at the next regular Board meeting.

<sup>10</sup> The Board minutes contain motions indicating the Board's approval of the payment of claims for the month but do not indicate claim numbers, amounts or any other information identifying the claims audited and approved for payment.

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Town purposes and audited and approved prior to payment.<sup>11</sup> Except for minor discrepancies we discussed with Town officials, the claims reviewed were supported by adequate documentation and were for appropriate Town purposes. However, 26 claims (52 percent) totaling \$59,113 were not audited and approved by the Board prior to payment. In addition, for 17 of the other 24 claims totaling \$24,223 the corresponding checks to pay these claims were printed prior to the date the Board audited and approved the claims. As a result, because Town officials told us when checks were printed they were issued, these disbursements were also likely made to pay these claims prior to the Board's audit and approval. For example, a check for a claim for credit card charges totaling \$304 was dated July 1, 2016 and cleared the bank on July 13, 2016, although the Board audited and approved the corresponding claim on July 12, 2016.

Although we did not find any material discrepancies, when signed checks are generated prior to the Board's audit and approval of claims and claims are actually paid in advance of the Board's approval, there is an increased risk improper claims could be paid.

### **What Are Proper Disbursement Procedures?**

Town Law designates the Supervisor as the official responsible for signing checks, and as such, the Supervisor plays a critical role in the check disbursement process. The Supervisor must ensure disbursements of Town moneys made by check are signed by himself, or in his absence, by the Deputy Supervisor. In addition, Town Law allows the Supervisor to hand-sign Town checks or use a facsimile signature, affixed by a check signer or other machine, which should be done under his direct supervision. As such, the Supervisor should ensure his facsimile signature and blank check stock are properly safeguarded to prevent unauthorized payments and misuse of Town funds.

While disbursements may also be made by electronic payments and wire transfers through online banking, such disbursements should be authorized by the Supervisor, or in his absence, by the Deputy Supervisor. The Supervisor should also compare disbursements to abstracts and certified payrolls prior to them being made to ensure disbursements are for authorized purposes, in the correct amount and made from the proper bank account.

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<sup>11</sup> Because signed checks were printed for a majority of claims prior to the Board auditing and approving claims, we could not determine with certainty whether these checks were, or were not, issued to vendors prior to the claims being approved. However, we compared the dates the checks cleared the bank to the dates the Board approved the claims and if a check cleared the bank prior to the related claim being approved, we concluded the claim had in fact been paid prior to the Board's approval.

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## **Check Disbursement Procedures Were Not Adequate**

The Supervisor did not maintain adequate control over his facsimile signature. Instead, the accountants printed computer-generated accounts payable<sup>12</sup> and payroll checks from the Town's financial software with the Supervisor's signature affixed, without the Supervisor's direct oversight or review. Specifically, when accounts payable and payroll deduction checks were printed, they were mailed by the accountants without being provided to the Supervisor. In addition, although the Supervisor was provided with payroll checks to be disbursed to employees, the Supervisor could not perform a review of these checks because they were in sealed envelopes. The blank check stock was also not safeguarded because it was kept in an unlocked filing cabinet in the accountant's office and was accessible to the Supervisor, Clerk to the Supervisor and accountant. Furthermore, no Town official reviewed the bank statements and canceled check images for the accounts managed by the accountants. As a result, the Supervisor cannot be certain the accountants only issued checks for authorized purposes.

We reviewed 50 accounts payable checks totaling \$467,086 issued during our audit period to determine whether the payee, amount and check number agreed with the abstracts and we did not identify any discrepancies. In addition, we reviewed 50 payroll checks totaling \$39,819 issued during our audit period to determine whether the payee, amount and check number agreed with certified payroll registers. All of the payroll checks agreed with payroll registers, but three payroll checks were included on payroll registers that were not certified. However, these three payroll payments were accurate and appropriate.

## **Non-Check Disbursement Procedures Were Not Adequate**

The accountants used online banking services to transfer funds between various Town accounts and to transfer funds to non-Town accounts for various purposes, such as ACH<sup>13</sup> withdrawals for direct deposits (ACH withdrawals). Although the Supervisor was provided with documentation supporting the non-check disbursements made by the accountants, these documents were provided to the Supervisor after the transactions were made. In addition, no Town official reviewed the bank statements for the accounts managed by the accountants. As a result, the Supervisor cannot be certain the accountants only made non-check disbursements for authorized purposes, in the correct amount and from the proper bank account.

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12 Accounts payable checks issued from the Rockledge water district, community development and two capital project checking accounts during our audit period were manually prepared and signed by the Supervisor due to the limited number of checks issued from these accounts.

13 Automated Clearing House (ACH) is a clearing house and delivery system for processing large volumes of electronic payments between banks.

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We reviewed 20 ACH withdrawals totaling \$61,408 and 25 payroll withdrawals for payroll tax withholdings and NYS and Local Retirement System employee contributions totaling \$34,403 made during our audit period to determine whether the withdrawals agreed with certified payroll registers and were made from the proper bank account. All of the withdrawals agreed with payroll registers, but two withdrawals were included on payroll registers that were not certified. However, these two withdrawals were accurate and appropriate.

In addition, 10 of the ACH withdrawals (50 percent) totaling \$22,639 and five payroll withdrawals (20 percent) totaling \$1,658, which were for NYS income tax withholding, were not made from the proper bank account because the withdrawals were made from the general checking account, instead of the trust and agency checking account. We found seven of the ACH withdrawals totaling \$18,006 and two of the payroll withdrawals totaling \$655 were subsequently corrected. However, five of the six remaining withdrawals totaling \$4,002 made in April 2016 were corrected twice, once on May 20, 2016 and again on June 3, 2016, resulting in the general account owing the trust and agency account this amount. In addition, the remaining withdrawal totaling \$1,633 made in October 2016 was never corrected, resulting in the trust and agency account owing the general account this amount. In total, as of December 31, 2016, these errors have resulted in the general account owing the trust and agency account \$2,369.

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

The Town Clerk should:

17. Sequentially number claims presented to the Board for audit and approval.

The Board should:

18. Properly document its audit and approval of claims by adopting resolutions containing the total dollar amounts and sequential numbers of the claims that have been Board-approved for payment.

The Supervisor should:

19. Ensure signed checks are printed after the claims have been audited and approved by the Board.
20. Only pay Board-approved claims listed on abstracts provided by the Town Clerk, except where allowed by statute or resolution.
21. Maintain control of his facsimile signature, directly oversee the signature process for all Town operating account checks and ensure blank check stock is only accessible to individuals authorized to sign checks.

- 
22. Compare check disbursements to abstracts and certified payrolls prior to them being issued and authorize non-check disbursements prior to them being made.
  23. Review the non-check disbursement deficiencies identified in this report and make the necessary transfers to ensure all moneys are returned to the proper bank accounts.

# Appendix A: Response From Town Officials

**Town of St. Armand**  
1702 NYS Route 3  
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Bloomingdale, NY 12913  
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starmand1903@yahoo.com  
www.townofstarmand.com

*Supervisor*  
Charles Whitson, Jr.

*Deputy Supervisor*  
D. Joseph Bates

*Town Council Members*  
Dean Montroy  
Jennifer Fuller  
Donald Amell

Unit Name: Town of St. Armand  
Audit Report Title: Selected Financial Operations Report of Examination  
Audit Report Number: 2017M-142

## AUDIT RESPONSE AND CORRECTIVE ACTION PLAN COMBINED

### AUDIT RESPONSE FROM TOWN OFFICIALS

As stated in the report, The Town of St. Armand's population does consist of 1,550 residents. There are 315 Bloomingdale Water District customers and 255 Bloomingdale Sewer District customers. All positions in the St. Armand Town Hall Offices are part-time positions with the exception of the Town Supervisor. The Town Supervisor works Monday – Friday, 8:30 am – 3:00 pm. The Clerk to the Supervisor works Monday, 9:00 am – 4:00 pm. The Town Accountant works eight hours per week: one weekend day (5 hrs.) and Tuesdays (3 hrs.). The Town Clerk works 24 hours per week, Monday – Thursday, 9:00 am – 3:00 pm. In addition to the Town Clerk duties, the Town Clerk also serves as Water and Sewer Clerk for the Town. The Town Accountant and Town Clerk often put in extra hours of their own time above their expected schedules in order to complete detailed tasks and meet organizational deadlines. The Town Accountant was hired in November 2016 and the Town Clerk was hired in June of 2016. Since their start dates, the Town Accountant and the Town Clerk/Water and Sewer Clerk have made many changes in recordkeeping and report procedures.

The Town of St. Armand has not undergone an audit of this proportion since 1976. The current audit took place from November 2016 through May 2017. There was one week-long mini-audit conducted in 2012. After going through several months of a thorough audit, I now have been shown where the mistakes were made in the way I did things. As the audit progressed and changes were made, as it moves forward I now feel as though with just a bit of fine-tuning, all items will have been addressed. All of the people that make up the team (Town Accountant, Clerk to the Supervisor, Town Clerk and myself), have worked extremely hard to move toward the end. Because of the audit, I can say that when I step down on December 31, 2017, it will continue to be a smooth running team.

Signed:

NAME \_\_\_\_\_  
Town Supervisor, Town of St. Armand

DATE 10-24-17

## CORRECTIVE ACTION PLAN

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

### FINANCIAL RECORDS AND REPORTS

*RECOMMENDATION 1: The Supervisor should ensure the Town's accounting records are complete, accurate and maintained in a timely manner.*

**RESPONSE:**

The Supervisor reviews all checks and back up that are processed. He also signs off on the documents that are reviewed. This includes, but is not limited to, checks processed from vouchers and payroll checks.

**Implementation Date: March 2017 and ongoing.**

*RECOMMENDATION 2: The Board should ensure the accounting records are adjusted to properly reflect correct account balances.*

**RESPONSE:**

The Board will review the accounting records monthly with the supervisors report. Also, the Supervisor approves transfers and signs off on any online transactions.

**Implementation Date: November 9, 2017 and ongoing.**

*RECOMMENDATION 3: The Board should review statutory requirements relating to the allocation of revenues and expenditures and ensure revenues and expenditures are allocated in the proper fund in accordance with these requirements.*

**RESPONSE:**

As a Board, we will continue to educate ourselves, in regards to the statutory requirements, to ensure that the allocation of revenues and expenditures are in the proper fund and in accordance with the requirements. A part-town general fund is being established for 2018.

**Implementation Date: November 2017, January 2018 and ongoing.**

*RECOMMENDATION 4: The Board should consult with its legal counsel to determine what remedies are available to address the taxpayer inequities identified in this report.*

**RESPONSE:**

**It was determined that seeking legal counsel at this time is not prudent due to the multiple years involved.**

*RECOMMENDATION 5: The board should ensure complete and accurate monthly bank reconciliations are prepared and along with the bank statements are independently reviewed and approved.*

**RESPONSE:**

**Since November 2016, the monthly bank reconciliations have been prepared for 2016 and 2017 and will continue to be reviewed and approved by a Board member.**

**Implementation Date: April 2017 and ongoing.**

*RECOMMENDATION 6: The Board should ensure the financial information presented in the AFR is accurate and supported by the accounting records.*

**RESPONSE:**

**The Board, Supervisor and Town Accountant will ensure the financial information presented in the AFR is accurate and supported by the accounting records.**

**Implementation Date: November 2017 and ongoing.**

*RECOMMENDATION 7: The Highway Superintendent should document the work performed by highway employees and provide that information to the account so payroll costs can be properly allocated between the town-wide highway and part-town highway funds.*

**RESPONSE:**

**The Highway Superintendent will document on the timesheet the highway employees work performed to ensure that the proper payroll costs are allocated between town-wide highway and part-town highway funds.**

**Implementation Date: November 2017 and ongoing.**

## WATER AND SEWER DISTRICT FINANCIAL OPERATIONS

*RECOMMENDATION 8: The Board and Town officials should establish written policies and procedures to provide adequate guidance and improve internal controls over billing, collecting and enforcing water and sewer charges.*

### RESPONSE:

The Town Board and the Water and Sewer Clerk are currently working on written procedures for establishing adequate internal controls over billing, collecting and enforcing water and sewer charges. Since the audit, a major improvement that occurred in this area is the change from the old water and sewer billing program to the new software billing program. The new system allows the actual meter readings to be entered into a handheld device by the Town's Meter Reader and then electronically transferred into the billing program. This not only provides less chance of error but also prevents the risk of only one person controlling the readings/billing procedure. In addition, the Town Accountant now receives the quarterly billing summaries and subsequent payment summaries.

Secondly, beginning June 13, 2017, the Town Board receives a detailed Water and Sewer aged balance report at the monthly Board Meetings. During these meetings, the Town Board reviews overdue accounts to ensure those customers receive shut-off notices and it is then determined which residents will have their water disconnected. The two customers who were consecutively selected for disconnect made substantial payments on their balances. At the present time, the Water Superintendent has only one lock-out mechanism, due to the expense, but more will be purchased for the future.

Implementation Date: June 2017, July 2017, November 2017 and ongoing.

*RECOMMENDATION 9: The Board and Town officials should ensure penalties are correctly assessed on all delinquent accounts in accordance with the Town's Regulations.*

### RESPONSE:

At the time of audit, written Water and Sewer Regulations were in place. The wording stated, "Delinquent Water and Sewer rents will be assessed a 10% penalty for non-payment approximately 30 days after the first bill". The Water and Sewer Regulations have been updated to be more specific regarding the late penalty as follows: "The due date for quarterly Water and Sewer bills will be exactly 30 days from the billing date printed on the bill, with the allowance for due dates falling on a weekend to be the following Monday. Accounts not paid by the due date will be assessed a 10% late fee penalty the following business day."

Implementation Date: October 2017

*RECOMMENDATION 10: Town officials should segregate duties over billing, collecting and enforcing water and sewer charges. If it is not practical to segregate duties, establish appropriate compensating controls, such as increased management review procedures.*

**RESPONSE:**

All positions in the St. Armand Hall are part-time positions with the exception of the Town Supervisor. The Town Clerk serves as the Water and Sewer Clerk and combined, the hours are Monday – Thursday, 9:00 am – 3:00 pm, equaling 24 hours per week. The Town Accountant works 8 hours per week, one weekend day (5 hrs.) and Tuesdays (3 hrs.). The Clerk to the Supervisor works on Mondays 9:00 – 4:00 pm. At this time it is not practical to segregate duties over billing, collecting and enforcing water and sewer charges.

However, increased management review procedures have been established as follows: The Town’s Meter Reader collects gallon usage data and enters data electronically into software program. The software program calculates the quarterly billings. The Water and Sewer Clerk prepares bills for mailing, collects payments and prepares deposits from those payments. The Town’s Accountant receives the quarterly billing summary and payment summaries with deposit slips for review and comparison. The Town Supervisor also receives copies of billing summaries and payment summaries. The Water and Sewer accounts receivables are presented to and reviewed by the Town Board at the monthly board meetings. The Water Superintendent is responsible for final meter readings, new reader installation and disconnect notices per the Board’s direction.

Implementation Date: July 2017

*RECOMMENDATION 11: Town officials should generate billing registers for each water and sewer billing, which should be reviewed by the Board.*

**RESPONSE:**

The Town of St. Armand computes quarterly Water and Sewer billings as follows: January (October, November, and December), April (January, February, March), July (April, May, June) and October (July, August, September). Billing registers will be prepared for the Town Board’s review at those corresponding Town Board Meetings.

Implementation Date: October 2017, January 2018, April 2018, July 2018 and ongoing.

*RECOMMENDATION 12: Town officials should ensure all customers are correctly billed for water and sewer services.*

**RESPONSE:**

Both the previous and current Water and Sewer Clerks of the Town of St. Armand have always strived

**RESPONSE CONTINUED:**

to provide accurate and concise water and sewer bills. The previous program used for billing had certain software glitches in the billing that were normally spotted, but sometimes missed. Every effort was made in correcting billing errors on behalf of the customers. A new billing software program was installed in the Water and Sewer Clerk's computer on March 2, 2017 and having eliminated the previous program's glitch problems, appears to be providing accurate billing.

In addition, a thorough quarterly review of all water and sewer accounts is conducted by the Water and Sewer Clerk prior to each billing to ensure accuracy in contact information, billing addresses, number of units being charged, low gallon usage, high gallon usage, flat rate and previous usage. Implementation Date: July 2017 and ongoing.

*RECOMMENDATION 13: The Supervisor should ensure the accountant properly maintains water and sewer receivable control accounts in the Town's accounting records and Town officials prepare monthly reconciliations of these accounts with the supporting detailed records.*

**RESPONSE:** The Water and Sewer Clerk is now forwarding all billing receivable summaries, payment summaries and adjustment summaries to the Accountant. The Town's accounting records are being prepared monthly and reconciliations with supporting detailed records are being review by the Town Supervisor.

Implementation Date: October 2017 and ongoing.

*RECOMMENDATION 14: The Board should review and approve all adjustments made to customer accounts and ensure they are adequately documented or designate someone independent of the billing and collecting process to perform these functions.*

**RESPONSE:**

An adjustments form was created on May 16, 2017, and is being used for all Water and Sewer adjustments. The form contains the customer's account and explains what adjustments are being made and why. The form did require the Town Supervisor's signature, but has now been updated to require the Board's review and approval by signature prior to the adjustment being completed. The completed adjustment form is kept on file with the software program's transaction report. A copy of the transaction report is being distributed to the Accountant and Town Supervisor.

Implementation Date: May 16, 2017, October 24, 2017 and ongoing.

*RECOMMENDATION 15: The Board should review and approve the list of re-levied water and sewer accounts by comparing it to a delinquent customer account report from the billing and collecting software to ensure all delinquent accounts are properly re-levied.*

**RESPONSE:**

A list of the 2017 re-levied water and sewer accounts is in the process of being prepared from the delinquent customer accounts and both shall be submitted to the Town Board for comparison and approval prior to submission to Essex County.

Implementation Date: October 2017 and ongoing.

*RECOMMENDATION 16: The Board should consult with its legal counsel to determine whether any retroactive billing adjustments should occur.*

**RESPONSE:**

It was determined that seeking legal counsel at this time is not prudent due to the total amount of billing errors in question being minimal and customer billings were corrected when the errors were either discovered by the Water and Sewer Clerk or brought forward by the customer.

## CLAIMS AUDITING AND DISBURSEMENTS

*RECOMMENDATION 17: The Town Clerk should sequentially number claims presented to the Board for audit and approval.*

**RESPONSE:**

Beginning on June 14<sup>th</sup>, 2017, the Town Clerk began numbering the claims sequentially for presentation to the Board at the monthly board meetings and the corresponding abstracts are included in this presentation.

Implementation Date: June 14, 2017 and ongoing.

*RECOMMENDATION 18: The Town Board should properly document its audit and approval of claims by adopting resolutions containing the total dollar amounts and sequential numbers of the claims that have been Board-approved for payment.*

**RESPONSE:**

The procedure of adopting resolutions containing the total dollar amounts and sequential numbers of the claims that have been Board-approved for payment has been adopted by the Town Board for their monthly Town Board meetings beginning on the June 13<sup>th</sup>, 2017, Town Board Meeting.

Implementation Date: June 13, 2017 and ongoing.

*RECOMMENDATION 19: The Supervisor should ensure signed checks are printed after the claims have been audited and approved by the Board.*

**RESPONSE:**

The vouchers will be signed and approved by the Board before the checks are printed and signed. The Supervisor will review each voucher and check prior to the checks being mailed.

Implementation Date: July 11, 2017 and ongoing.

*RECOMMENDATION 20: The Supervisor should only pay Board-approved claims listed on abstracts provided by the Town Clerk, except where allowed by statute or resolution.*

**RESPONSE:**

The vouchers will be signed and approved by the Board before the checks are printed and signed. The Supervisor will review each voucher and corresponding check prior to the checks being mailed.

Implementation Date: July 11, 2017 and ongoing.

*RECOMMENDATION 21: The Supervisor should maintain control of his facsimile signature, directly oversee the signature process for all Town operating account checks and ensure bank check stock is only accessible to individuals authorized to sign checks.*

**RESPONSE:**

The authorized signer of the checks is the Town Supervisor and he is now reviewing each voucher, abstract, certified payroll and verifies the payee and amount prior to the checks being mailed to ensure control of the signature process and accurate check disbursements . Additionally, the cabinet used for storing town checks will be secured at all times.

Implementation Date: April 2017, July 11, 2017 and ongoing.

*RECOMMENDATION 22: The Supervisor should compare check disbursements to abstracts and certified payrolls prior to them being issued and authorize non-check disbursements prior to them being made.*

**RESPONSE:**

The Supervisor will review each voucher, abstract, certified payroll and check prior to the checks being mailed.

Implementation Date: April 2017, July 11, 2017, and ongoing.

*RECOMMENDATION 23: The Supervisor should review the non-check disbursement deficiencies identified in this report and make the necessary transfers to ensure all moneys are returned to the proper bank accounts.*

**RESPONSE:**

**The Supervisor will review each non-check disbursement deficiency identified in this report and necessary transfers to ensure all moneys are returned to the proper bank accounts.**

**Implementation Date: February 2017, April 2017, June 2017 and will be finalized by December 2017.**

**END CORRECTIVE ACTION PLAN**

## Appendix B: 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 NYS General Municipal Law. To achieve the audit objectives and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Town officials and a former accountant and reviewed various financial records and reports to gain an understanding of the Town's procedures for maintaining accounting records, preparing bank reconciliations and reporting financial transactions.
- We reviewed the Town's accounting records during our audit period to determine whether separate accounting records including assets, liabilities, fund equity, revenues and expenditures were maintained for each fund.
- We reviewed 15 asset and liability accounts recorded in the Town's accounting records as of December 31, 2015 and December 31, 2016 to determine whether they were properly recorded and adequately supported. Our samples consisted of the three largest asset or liability accounts recorded for the town-wide general fund and town-wide highway fund, two largest asset or liability accounts recorded for the part-town highway fund, Bloomingdale sewer district and Bloomingdale water district, and the largest asset or liability account recorded for the garage capital projects fund, sewer capital projects fund and trust and agency fund.
- We reviewed 10 revenue accounts and 10 expenditure accounts recorded in the Town's accounting records as of December 31, 2015 and December 31, 2016 to determine whether they were adequately supported and recorded in the proper funds. Our samples consisted of the three largest revenue and expenditure accounts recorded for the town-wide general fund, two largest revenue and expenditures accounts recorded for the town-wide highway fund and part-town highway fund, and largest revenue and expenditure account recorded for the Bloomingdale sewer district, Bloomingdale water district and sewer capital projects fund.
- We interviewed Village and County officials to verify the Village received sales tax distributions directly from the County.
- We interviewed Town officials and reviewed the Town's adopted budgets, the Town's accounting records, the County tax warrants and County sales tax payment documentation for the amounts distributed to the Town to determine whether sales tax revenues were allocated in accordance with NYS Tax Law to maintain equity among taxpayers during the 2010 through 2016 fiscal years. We also determined the effect of any discrepancies.
- We selected three months during our audit period (April 2015, December 2015 and June 2016) to determine whether monthly bank reconciliations were prepared, agreed with the general ledger cash balances and were independently reviewed.

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- We reviewed 15 asset and liability accounts reported on the Town's 2015 AFR to determine whether they were properly recorded and adequately supported. Our samples consisted of the three largest asset or liability accounts reported for the town-wide general fund and town-wide highway fund, two largest asset or liability accounts reported for the part-town highway fund, Bloomingdale sewer district, combined water district and combined capital projects fund and the largest asset or liability account reported for the trust and agency fund.
  - We reviewed 10 revenue accounts and 10 expenditure accounts reported on the Town's 2015 AFR to determine whether they were adequately supported and recorded in the proper funds. Our samples consisted of the three largest revenue and expenditure accounts reported for the town-wide general fund, two largest revenue and expenditures accounts reported for the town-wide highway fund and part-town highway fund, and largest revenue and expenditure account reported for the Bloomingdale sewer district, combined water district and combined capital projects fund.
  - We interviewed Town officials and reviewed Town policies, the Regulations, Board minutes and various water and sewer financial records and reports to gain an understanding of the Town's procedures related to billing, collecting and enforcing water and sewer charges and any associated effects of deficiencies in those procedures.
  - We reviewed 50 water and sewer bills and related payments to determine whether the bills were accurate and correctly recorded in the customers' accounts, the payments equaled the amount billed plus penalties, if applicable, and the payments were properly recorded in the customers' accounts. We used a computerized random number generator to select 25 bills from the 2015 second quarterly billing register and 25 billings from the 2016 fourth quarterly billing register.
  - We compared 25 water district parcels and 25 sewer district parcels with the customer accounts within the billing and collecting software to determine whether customers were being billed for services received. We used a computerized random number generator to select 25 water district parcels and 25 sewer district parcels from a 2016 County real property tax listing of all the parcels within the Bloomingdale water and sewer districts.
  - We reviewed 20 adjustments to customer accounts during our audit period to determine whether they were approved prior to being made and were for appropriate purposes. We used a computerized random number generator to select 20 adjustments from an adjustment report containing all adjustments that were made to customers' accounts during our audit period.

- 
- We reviewed 25 unpaid customer accounts at the due dates during our audit period to determine whether the Town was properly assessing penalties in compliance with Board policy. Our sample consisted of selecting, without any known bias, 25 unpaid customer accounts throughout our audit period.
  - We reviewed 20 delinquent customer accounts at the end of the 2015 and 2016 fiscal year collection periods to determine whether the accounts were relieved and if the relevy amounts were accurate. Our sample for the 2015 fiscal year consisted of selecting the first 10 accounts listed on a delinquent customer account report from the billing and collecting software and our sample for the 2016 fiscal year consisted of selecting the last 10 accounts listed on a delinquent customer account report from the billing and collecting software.
  - We compared the total dollar amount of delinquent accounts at the end of the 2015 and 2016 collection periods to the lists of relieved water and sewer accounts sent to the County to determine the dollar amount of delinquent accounts not sent to the County for relevy.
  - We interviewed Town officials and a former accountant and reviewed various financial records and reports to gain an understanding of the Town's procedures related to claims auditing and disbursements and any associated effects of deficiencies in those procedures.
  - We reviewed 50 check disbursements made to pay claims during our audit period to determine whether the corresponding claims for the disbursements were supported by adequate documentation, for appropriate Town purposes and audited and approved prior to payment. We used a computerized random number generator to select 50 accounts payable checks issued during our audit period.
  - We reviewed 50 accounts payable checks and 50 payroll checks issued during our audit period to determine whether the payee, amount and check number agreed with the abstracts and certified payroll registers, respectively. We used a computerized random number generator to select 50 accounts payable checks and 50 payroll checks issued during our audit period.
  - We reviewed 20 ACH withdrawals and 25 payroll withdrawals made during our audit period to determine whether the withdrawals agreed with certified payroll registers and were made from the proper bank account. We used a computerized random number generator to select 20 ACH withdrawals and 25 payroll withdrawals made during our audit period.

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

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provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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### **Regional Office Directory**

[http://www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

<http://www.osc.state.ny.us/localgov/costsavings/index.htm>

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

<http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

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

<http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmg>

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

<http://www.osc.state.ny.us/localgov/planbudget/index.htm>

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

<http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf>

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

<http://www.osc.state.ny.us/localgov/finreporting/index.htm>

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

<http://www.osc.state.ny.us/localgov/researchpubs/index.htm>

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

<http://www.osc.state.ny.us/localgov/academy/index.htm>

## Contact

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[www.osc.state.ny.us/localgov](http://www.osc.state.ny.us/localgov)

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

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