



# Town of Morris

## Board Oversight

### Report of Examination

Period Covered:

January 1, 2012 — February 21, 2013

2013M- 75



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

May 2013

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of Town of Morris, entitled Board Oversight. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Town of Morris (Town) is located in Otsego County. The Town has 1,878 residents and provides various services, including general government support, road maintenance, and snow removal. The Town's annual budget for the 2013 fiscal year is \$978,616, financed primarily by real property taxes and sales tax.

An elected five-member Town Board (Board), comprising the Town Supervisor (Supervisor), and four Council members, governs the Town. The Supervisor serves as the Town's chief executive officer and chief fiscal officer. It is the Board's responsibility to adopt and set policies that provide oversight and adequate segregation of duties over the Town's financial operations. The Supervisor is responsible for the Town's day-to-day financial activities.

## Objective

The objective of our audit was to assess the Board's oversight of financial operations. Our audit addressed the following question:

- Did the Board provide adequate oversight over the Town's financial operations?

## Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial condition and Board oversight, cash receipts, cash disbursements (including payroll), purchasing and claims processing. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We determined that risk existed in the Board's oversight of cash disbursements and, therefore, we examined the Board's oversight procedures for cash disbursements for the period January 1, 2012, through February 21, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

## Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our findings.

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 forwarded to our office within 90 days, pursuant to Section 35 of the 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 this plan available for public review in the Town Clerk's office.

## Board Oversight

The Supervisor and Board are primarily responsible for all of the Town's financial operations. The Board is responsible for monitoring financial operations. The Supervisor is the chief fiscal officer and is responsible for keeping all financial records and providing accurate and current financial information to the Board. It is important for the Board to verify that all disbursements are appropriate and ensure that employees are paid at the Board-approved rates.

The Supervisor receives, deposits, and records all cash receipts and performs all cash disbursement duties including disbursing payroll. He generates and signs checks, records transactions in the financial records, and reconciles bank accounts. To provide oversight of the Town's finances, the Board established a Finance Committee. The Finance Committee<sup>1</sup> meets each month and scans the bank statements and attached cleared check images, including payroll checks, taking note of the balances in the bank accounts and looking for any vendor or employee names that are not familiar. Three Board members, including the two on the Finance Committee, believed their audit and approval of claim vouchers along with the Finance Committee's review of the bank statements and cleared check images provided adequate oversight.

We commend the Board for their efforts to provide oversight of the financial operations of the Town. We believe that the Finance Committee's monthly review of the records could be improved by comparing the check images to the Board-approved claim vouchers,<sup>2</sup> or to payroll registers, to ensure that the payees and amounts agree.

We reviewed 130 disbursements totaling almost \$280,000, which included payroll disbursements. We did not find any material discrepancies.

### Recommendation

1. The Board should have a procedure in place to ensure that all the checks issued by the Supervisor are for Board-approved expenditures.

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<sup>1</sup> The Finance Committee comprises two Board members.

<sup>2</sup> All four Board members audit each claim and sign the claim voucher indicating their approval for payment.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

The local officials' response to this audit can be found on the following page.

## TOWN OF MORRIS

P.O. Box 117  
Morris, New York 13808  
(607)263-5944

May 20, 2013

H. Todd Eames  
State Comptrollers Office  
N.Y. State Office Building  
44 Hawley Street, Room 1702  
Binghamton, NY 13901

Dear Mr. Eames,

In response to the OSC Audit Report for the Town of Morris, I and all Members of the Morris Town Board have reviewed the preliminary draft findings of the Audit and find it to be accurate and complete and We agree with the auditors findings.

The Board plans to implement the recommendation of the Audit by having the Town's Finance Committee randomly choose 15 disbursements and compare check images for those disbursements to the Board-approved claim vouchers or payroll register, to ensure that the payees and amounts agree. This will be done annually in the Month of December.

Please consider this letter, the Town of Morris's official response and corrective action plan.

Sincerely,

Peter J. McCann  
Morris Town Supervisor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the Board's oversight of the Supervisor's financial duties. To accomplish our audit objective and obtain valid and relevant audit evidence, we performed the following procedures:

- We conducted interviews with Town officials to gain an understanding of the procedures followed regarding cash disbursements (including payroll), what and when financial reports were provided to the Board, and what if any oversight was provided.
- We reviewed Board minutes for the audit period to obtain information regarding the Board's oversight of the Supervisor.
- We obtained the February 2012 and January 2013<sup>3</sup> bank statements and reviewed all cash disbursement transactions for those months.
- We traced cleared check images from the February 2012 and January 2013 bank statements to Board-approved claim vouchers, abstracts and the computerized records to ensure that only those disbursements approved by the Board were made and appeared on the abstract and in the computerized records.
- We traced bank wire transfers from the February 2012 and January 2013 bank statements to supporting documentation to ensure that transfers were for legitimate Town expenditures.
- We traced bank transfers from the February 2012 and January 2013 bank statements reporting the transfer out to bank statements reporting the transfer in to ensure that all transfers were only between Town bank accounts.
- We obtained the Board-approved salary schedules for 2012 and 2013 and calculated the monthly salary for the Supervisor, Town Clerk, Town Justice and Highway Superintendent and traced those amounts to monthly Payroll Summary Reports. We also traced net amounts reported on these same reports to cleared check images to ensure that Board-approved rates were paid to these officials.
- We obtained the February 2012 and January 2013 payroll summary reports and traced hourly rates paid to employees to Board-approved rate schedules and traced net amounts reported to cleared check images.
- We obtained the December 2012 payroll summary report and traced total payroll amounts to transfers/deposits into the Trust and Agency account to ensure that correct amounts were transferred/deposited into the account.

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<sup>3</sup> We selected these months because February 2012 was prior to our first contact with the Town and January 2013 was the most recent completed month during our audit period.

- We recalculated Federal Insurance Contribution Act (FICA) and Medicare withholdings based on the gross amounts paid per the December 2012 payroll summary report and traced to the amounts withheld to ensure that correct amounts were withheld from employees' pay.
- We reviewed Board policies regarding employee contributions for medical insurance and obtained the February 2012 and January 2013 insurance bills to determine which employees were being covered by the Town insurance and the type of insurance being carried. We then reviewed the Payroll Summary Reports for those months to ensure that the correct amount was being withheld for employee contributions.

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.

## APPENDIX C

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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

**LOCAL REGIONAL OFFICE LISTING**

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