



Town of Day Supervisor's Records and Reports

Report of Examination

Period Covered:

January 1, 2013 — April 30, 2014

2014M-225



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2014

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 the Town of Day, entitled Supervisor's Records and Reports. 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 New York State 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 Day (Town) is located in Saratoga County and has a population of approximately 1,000. The Town Board (Board), which comprises the Supervisor and four council members, is the legislative body responsible for managing Town operations and for overseeing its financial activities. The Town Supervisor (Supervisor), as the chief financial officer, has the overall responsibility to receive and disburse Town money and maintain accurate accounting records.

The Supervisor appointed a Budget Officer and a bookkeeper to assist with the daily accounting requirements. The Budget Officer is responsible for depositing receipts, recording receipts in the computerized accounting system and recording journal entries. The bookkeeper is responsible for preparing check disbursements, initiating interbank transfers and reconciling the bank statements with the corresponding cash balances in the accounting records. The Town hires a consultant to assist with preparing and filing the Town's annual financial report (AUD) with the Board and the Office of the State Comptroller (OSC).

The Town provides various services to its residents, including road maintenance, trash and recycling pickup and general government support. The Town's budgeted appropriations for 2014 are approximately \$1.78 million (\$916,000 for the general fund and \$859,000 for the highway fund) and are funded primarily through sales tax, real property taxes and State aid.

Objective

The objective of our audit was to determine if the Supervisor properly accounted for and reported the Town's financial transactions. Our audit addressed the following related question:

- Did the Supervisor maintain complete and accurate accounting records and reports allowing the Board to effectively monitor the Town's financial operations?

Scope and Methodology

We examined the Supervisor's accounting records and reports for the period January 1, 2013 through April 30, 2014.

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 is 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 generally agreed with our recommendations and indicated they planned to initiate corrective action.

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 Clerk's office.

Supervisor's Records and Reports

The Supervisor is responsible for maintaining adequate accounting records and financial documents that provide an accurate accounting of all financial transactions. The Supervisor should ensure that the accounting records are accurate and up-to-date and that bank reconciliations are completed properly in a timely manner. In addition, the cash balances reflected in the accounting records should be compared monthly with the reconciled bank balances and any discrepancies should be promptly investigated and corrected. The Supervisor should keep the Board informed about the Town's financial operations by providing accurate and complete monthly reports containing detailed information regarding the Town's cash balances and total monthly and year-to-date revenues and expenditures.

We found that expenditures were accurately recorded in the accounting records for our audit period. However, the accounting records and monthly reports contained inaccurate monthly cash balances. Additionally, revenues received in 2014 totaling more than \$500,000 or 29 percent of the 2014 budget were not recorded in the accounting records or reported to the Board. These discrepancies occurred because no one compared the reconciled bank balances with the recorded cash balances until after the end of the year and the Budget Officer did not record and report all the revenues received in 2014 to the Board. As a result, the Board cannot effectively monitor the Town's financial operations and there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

Records and Monthly Reports – The Supervisor is responsible for maintaining accurate and complete accounting records to ensure that assets, liabilities, fund balance and results of operations (revenues and expenditures) accurately reflect all Town financial activity. Although the Supervisor appointed a Budget Officer and a bookkeeper to help with these tasks, he is ultimately responsible for ensuring that the accounting records maintained are accurate and complete.

The Budget Officer maintains a general ledger with accounts for each fund's revenues and expenditures and records revenues received and deposited by making a journal entry in the accounting records. The Budget Officer also prepares the annual budget and enters the adopted estimated revenues and budget appropriations in the accounting records.

The bookkeeper is responsible for entering all the expenditures in the accounting records (including payroll),¹ interbank transfers between

¹ Town payroll is processed by a third party vendor.

the Town's four bank accounts and electronic payments for payroll taxes and contributions to the New York State and Local Retirement System.

The Budget Officer provides a monthly report to the Supervisor and Board that includes both monthly and year-to-date revenue and expenditure totals and a comparison of the year-to-date totals with the adopted budget. The amounts presented in the monthly report are compiled from the information recorded in the accounting system, and, therefore, the report's accuracy depends on the reliability and accuracy of the accounting records.

We reviewed the accounting records for six months during the audit period to determine if revenues and expenditures were accurately recorded and up-to-date. In addition, we reviewed the December 2013 accounting records to assess the accuracy and reliability of the accounting records at year-end.

The revenues and expenditures received and disbursed in 2013 were accurately recorded and up-to-date for all the months we reviewed. We also found that the balances recorded in the accounting records agreed with those reported on the AUD. Additionally, for the two months we reviewed in 2014, expenditures were accurately recorded. However, certain revenues received in 2014 were not accurately recorded in a timely manner or included on the monthly reports provided to the Board as follows:

- Highway fund real property tax revenue totaling \$434,938 was not recorded in the accounting records as of April 30, 2014. The Town received and deposited these real property tax receipts in January 2014. These unrecorded revenues represent 46 percent of the total highway fund revenues received for the period January 1 through April 30, 2014.
- The general fund received \$74,130 of sales tax revenues in April 2014 from Saratoga County. However, this amount was not recorded in the accounting records. These unrecorded revenues represent 9 percent of total general fund revenues received for the period January 1 through April 30, 2014.

The Budget Officer informed us that she forgot to record these revenues in the accounting records. However, failing to accurately record all revenues in a timely manner results in incomplete and inaccurate accounting records and monthly financial reports.

Bank reconciliations – The Supervisor is responsible for ensuring that the reconciled bank balances are compared with the cash balances, as

recorded in the accounting records, to help verify that all cash receipt and disbursement transactions are included and accurately recorded. Any differences between the reconciled bank balances and the recorded cash balances should be promptly investigated and resolved.

Upon receiving the bank statements, the bookkeeper performs a bank reconciliation for all four Town bank accounts and provides the Board with the reconciled bank balances and the first page of each bank statement at the monthly Board meetings. However, the Supervisor does not review the bank reconciliations for accuracy and the Budget Officer is not provided a copy of the bank reconciliations.

As a result, the Budget Officer cannot compare the reconciled bank balances with the recorded cash balances each month. Additionally, neither the Budget Officer nor the Town's consultant review the monthly bank account reconciliations or consider the corrections needed for the records to reflect accurate cash balances until after year-end, when they begin to prepare the AUD. Consequently, differences between the reconciled bank balances and the recorded cash balances are not identified, researched or corrected until after the Budget Officer completes the Town's AUD after the beginning of the next year.

To determine whether differences between the reconciled bank balances and the recorded cash balances existed during our audit period, we compared each month's reconciled bank balances with the recorded cash balances. We found that each month there was a difference between the reconciled bank balances and the recorded cash balances.

The cash balances recorded in the accounting records exceeded the reconciled bank balances by totals ranging from \$18,093 in April 2013 to \$16,800 in December 2013. These differences primarily resulted from incorrect cash balances being carried forward from 2012. However, the amounts also differed because of unidentified errors.

Because the consultant noticed multiple errors in the bookkeeper's monthly bank reconciliations and the Budget Officer's accounting records, he also performed the December 2013 reconciliations to determine the balances to report in the 2013 AUD. We compared the cash balances reported on the AUD to the recorded cash balances and found that the 2013 AUD amounts and the accounting records agreed, because the accounting records were adjusted for errors the Budget Officer made during the year. The consultant told us that, rather than identifying all of the errors, his reconciliations included adjustments increasing the recorded cash balances by the \$16,800 difference as of December 2013.

Further, because the Budget Officer failed to record \$509,068 of revenues in 2014 (\$434,938 in January and \$74,130 in April), the reconciled bank balances did not agree with the corresponding general and highway funds' cash balances for January through April 2014.

Had anyone compared the reconciled bank balances with the recorded cash balances each month, Town officials could have identified the discrepancies sooner, been able to determine the cause of any differences and corrected the accounting records in a timely manner. As a result of these inaccuracies, the Board does not have the accurate monthly financial information necessary to effectively monitor the Town's financial operations.

Recommendations

The Supervisor should:

1. Ensure that the accounting records are accurate and updated in a timely manner.
2. Compare the reconciled bank balances to the recorded cash balances on a monthly basis and promptly investigate and correct any differences identified.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



TOWN OF DAY
County of Saratoga
Supervisor Preston Allen
1650 North Shore Road - Hadley NY 12835
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November 04, 2014

Office of the State Comptroller
Attn: [REDACTED]
One Broad Street Plaza
Glens Falls NY 12801

Dear [REDACTED]

In response to your audit some of the issues listed in your report have been corrected and we are in the process of working on your recommendations as listed in your report.

Thank you for your time.

Sincerely,

Supervisor Preston Allen - Town of Day

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the Supervisor's accounting records and reports for the audit period to determine if complete and accurate accounting records and reports were maintained allowing the Board to effectively monitor the Town's financial operations. To accomplish our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed the Supervisor, Budget Officer and bookkeeper regarding practices and procedures for recording, reconciling and maintaining the Town's accounting records.
- We reviewed the monthly budget-to-actual reports provided to the Supervisor for the Board's review and the Board minutes.
- We reviewed the December 2013 accounting records to determine the reliability of accounting information at year-end and compared the 2013 recorded account balances with the balances reported to OSC on the AUD. We also verified that the expenditure account codes agreed with the account codification structure prescribed by OSC.
- We reviewed the accounting records for six months during the audit period² to determine if the revenues and expenditures recorded were complete and up-to-date. We compared the deposits listed on the manual cash log with the deposits listed on the bank statements and the accounting records. We verified that the expenditures, as authorized on Board-approved abstracts, agreed with the accounting records for date, vendor, amount and account code.
- We compared the cash balances from the monthly bank reconciliations to the accounting records for the audit period. We determined the reliability of the bank statements by verifying that the bank statements were complete, did not contain any apparent erasures or alterations and did not include images of canceled checks for payees that were not for a valid Town purpose.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

² Using a computerized random sampling method we selected March, April, July and October in 2013 and February and April in 2014.

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