



Town of Sheridan

Cellular Telephones

Report of Examination

Period Covered:

January 1, 2012 — October 11, 2013

2013M-334



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 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 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 Sheridan, entitled Cellular Telephones. 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 Sheridan (Town) is located in Chautauqua County and serves a population of approximately 2,670 residents. The Town is governed by an elected Town Board (Board) comprising a Town Supervisor and four council members. The Board is responsible for the general management and control of the Town's financial affairs, including, for example, adopting policies governing the use of Town-provided assets, such as cellular telephones.

The Town provides various services to its residents, including street maintenance, snow plowing and general government support. For the 2013 fiscal year, budgeted appropriations totaled \$501,792 for the general fund and \$726,070 for the highway fund, which were funded primarily by property taxes, sales tax and State aid.

Objective

The objective of our audit was to evaluate internal controls over cellular telephones. Our audit addressed the following related question:

- Has the Town established adequate internal controls over the use of cellular telephones to protect them from loss, waste and misuse?

Scope and Methodology

We examined the internal controls over cellular telephones for the period January 1, 2012 through October 11, 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 generally agreed with our findings and 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 Town Clerk's office.

Cellular Telephones

The widespread use of cellular telephones (cell phones) in the workplace requires that Town officials establish explicit guidelines. A cell phone policy should minimally define acceptable use and a process to determine what Town purposes are furthered by providing a cell phone for each individual or group of individuals performing similar Town functions. Like any other Town asset, cell phones should be properly controlled and their use carefully monitored.

The Board did not adopt a policy governing the use of Town-provided cell phones. The Board determines on an as-requested basis which individuals are provided a Town cell phone, according to the Town Clerk. The Town does not have established written guidelines or documentation that shows the process or decisions made by the Board when providing individuals with Town cell phones. While the Town provided cell phone service to Town officials and employees for job-related use, it also provided this service to individuals who did not perform any Town functions.

Generally, the people allowed to have Town cell service were relatives of Town managers. By participating in the Town's plans, these individuals generally paid only for the cost of an additional line (approximately \$10), rather than the full access charges. Although the Town established some controls to be reimbursed for the cost of cell phone services provided to certain individuals, it lacked a policy or contract stating what amount should be reimbursed, when payments are due and what is to be done if someone does not reimburse the Town in a timely manner. As a result, if the individuals do not reimburse the Town for the cell phone services provided, Town taxpayers will unfairly absorb these costs.

As of January 1, 2012, the Town provided 22 cell phones to various individuals. According to the Town Clerk, the Town incurred the full cost of service for three cell phones,¹ billed three other Town officials for part of the cost of the service,² and billed individuals for the entire cost of service provided for the remaining 16 cell phones.³ Although the Clerk informed us that the Board determined the reimbursement rates, there was no indication in the Board minutes that formal action

¹ The cell phones were provided to the Town Supervisor, Town Clerk and the Highway Department.

² The cell phones were provided to the Highway Superintendent, Code Enforcement Officer and a Council member.

³ These 16 cell phones were provided to two Council members, a Town employee, the Town's Attorney and 12 individuals who were not Town officials or employees.

was taken to establish the rates that were used. However, each month, the Clerk provides the cell phone users who are required to reimburse the Town with the part of the vendor's original invoice listing detailed charges for their line. The Clerk recorded the amount owed in a ledger and updated it as payments were received. The Clerk did not retain copies of the vendor's original invoices that were sent to the cell phone users; she only retained the summary page of the vendor's invoice, which listed total charges, by line. Without the original, or a copy of the original, detailed invoice the Town had no way to look back at charges to determine use or if the amount billed to an individual by the Town was correct.

We reviewed the monthly summary invoice pages for the period January 2012 through September 2013⁴ to determine if the Town was reimbursed for cell phone use in accordance with the guidelines described by the Clerk. We found that of the 19 Town-provided cell phones that the Clerk indicated reimbursement was required, 10 were either paid in full or had immaterial differences, five were not paid timely, and four were unable to be reviewed because the Town did not maintain or provide proper documentation. Our review disclosed:

- Seven individuals⁵ paid their cell phone accounts in an amount that matched the amount billed by the vendor for each line.
- Three individuals⁶ paid less than the vendor's charges for their respective lines, but the difference was not material.
- Five individuals (the Supervisor's wife, a Councilwoman and three members of the Councilwoman's family) were provided cell phone services, but did not reimburse the Town in a timely manner. For example, when the Councilwoman reimbursed the Town in March 2013, she owed approximately \$3,000 for 13 months of activity on four cell phones. As of September 2013, the Councilwoman had a balance due of \$430 for two months of use, while the Supervisor's wife had a balance due of \$64 for four months of use.
- The Highway Superintendent's account was canceled in November 2012; however, there remained an outstanding balance of \$47 still due to the Town as of October 2013. According to the Clerk, the amount the Highway

⁴ Excluding May 2013 because the summary page of the invoice was not available for our review

⁵ The Town Clerk's husband, a Councilwoman, secretary to the Code Enforcement Officer, the former Town Assessor, the wife of a retired highway worker and the Town Attorney and his wife

⁶ The Code Enforcement Officer, a Councilman and his wife

Superintendent was required to reimburse the Town varied, depending on the cell phone charges. However, the Town did not maintain detailed invoices for his cell phone service and, therefore, the reasonableness of the reimbursements received could not be determined.

- We were unable to test the reimbursements made by three individuals because the Clerk had discarded the ledgers she maintained for them.⁷ These three lines were eliminated in March 2012.

In total, the Town was billed \$12,700 for cell phone service from January 2012 through September 2013, and subsequently requested reimbursements totaling \$8,800 from individuals who were provided service. As of September 2013, the total outstanding balance due from individuals provided Town cell phones totaled \$576.

We did find that the Town has made some efforts to reduce its cell phone charges. Specifically, Town officials removed seven cell phones⁸ from the Town's plan in 2012. The removal of these seven cell phones reduced the Town's bill by approximately \$230 a month. We encourage Town officials to continue to review the Town's current number of cell phones and eliminate those provided to individuals that are not necessary for Town operations.

Because the Board did not adopt a policy governing the use of Town-provided cell phone service, the Town cannot be assured that all cell phones are necessary and in the best interest of the Town's taxpayers. Purchasing unnecessary cell phone service and paying for other than Town officials' and employees' cell phone services is a misuse of taxpayer moneys.

Recommendations

1. The Board should adopt a formal cell phone use policy that clearly defines the Town officials and employees who should be provided a cell phone, what is acceptable use, and how reimbursement for unacceptable use is to be billed and paid for.
2. The Board should stop the practice of providing cell phones to individuals not performing a Town-related function.
3. The Town should recover all outstanding reimbursement payments due for cell phone service.

⁷ All three individuals were not Town officials or employees: the former Town Supervisor, his wife and the former Highway Superintendent's wife.

⁸ The Highway Superintendent, a person from a Council member's family, the former Town Assessor, the former Town Supervisor and his wife, the former Highway Superintendent's wife and the wife of the Town's Attorney

4. The Clerk should retain all original vendor invoices, including detailed usage by line, as well as cell phone reimbursement records. The Board should review these records to determine compliance with its policy.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF SHERIDAN, NY
RESPONSE AND CORRECTIVE ACTION PLAN
TO THE NYS COMPTROLLER'S
2013 DRAFT AUDIT REPORT
FEBRUARY 4, 2014

Paragraphs #1 & 2

A cell phone policy was not created when the plan was first initiated because the cell phones are not Town assets. Each person reimbursed the Town for the purchase of his/her cell phone, if there was a cost. Several cell phones were free with the plan. It was determined that the Town really had no right to govern the use of the cellphones when the users owned the phones and had agreed to reimburse the Town for the monthly access and usage fees.

Paragraph #3

When the plan was first established, the cost of the plan would be lower, for each user, if several persons were included. That is why spouses of Town officials and/or employees were added, assuming, again, that the Town would be reimbursed. Due to the fact that there had never been a written cell phone policy in regard to reimbursement, once final payment was made by a user leaving the plan, paperwork was not retained.

Paragraphs #4 through #7

The nature of the position of Town Supervisor requires him to basically be "on-call" at all hours. The cost of his cellphone, monthly usage, and monthly access was deemed to be a legitimate Town expense. Under the policy, which will be adopted at the next regular Town Board meeting on February 20th, 2014, the Supervisor, as well as the Highway Superintendent, and Code Enforcement Officer will receive a credit up to \$50.00 per month, each, toward cellphone expenses. If there is a remaining balance, the Town will be reimbursed by a payroll deduction, thus eliminating delinquent reimbursements. The payroll deduction system will also create a paper trail of reimbursements. The total number of cellphones on the plan has been cut from the original 22 down to 10, which includes 4 cellphones that are part of the new Teamsters contract for the Motor Equipment Operators. All outstanding balances due the Town, at the time of the audit, were paid in full prior to the end of 2013. All outstanding balances accrued in 2014 are expected to be paid in full on or before March 15th, 2014. The payroll deductions will begin with the next billing.

Paragraph #8

A Cellphone Policy has been drafted and will be adopted at the February 20th Town Board meeting. In response to the audit's final sentence regarding "purchasing unnecessary cellphone service and paying for other than Town officials' and employees' cellphone services is a misuse of taxpayer moneys." The Town did not actually burden the taxpayers with unnecessary purchases and provision of service, as the Town was reimbursed by everyone on the plan for both the purchase and services, with the exception of the Supervisor. It may have taken some time to receive the reimbursements, but all reimbursements were received. With the new policy, timely reimbursements is a given.

In closing, this Board and Supervisor "inherited" the cellphone practice that has just been perpetuated, throughout the years, through complacency. The Board appreciates the work that your auditor did, and thanks her for bringing the Town's practices, in regard to cellphones, to closer scrutiny. We have been duly reminded to remain vigilant in being "watchdogs" for the taxpayers' money and concerns.

Louis S. Delmonte, Sr.
Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if internal controls over selected financial activities were appropriately designed and operating effectively. To accomplish the objective of the audit and obtain valid audit evidence, we interviewed officials, reviewed invoices and examined pertinent documents for the period January 1, 2012 through October 11, 2013. Our procedures included the following steps:

- We made inquiries to determine if the Board had adopted a cell phone policy, and if other rules and regulations had been established.
- We reviewed recent cell phone bills, Town billings and related reimbursements for cell phone services provided for all individuals.
- We compared the individual ledger payments to the general ledger to ensure that the payments were properly recorded.
- We reviewed the cell phone bills to determine how much the Town's bill was reduced by eliminating unneeded cell phone services from the plan.

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.

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