

Town of Carlton

Town Supervisor's Fiscal Responsibilities

FEBRUARY 2018



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

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Report Highlights

Town of Carlton

Audit Objective

Determine whether the Town Supervisor (Supervisor) adequately performed the duties as chief financial officer.

Key Findings

The Supervisor:

- Is not adequately fulfilling related financial duties.
- Did not ensure accounting records were accurate and complete.
- Did not deposit receipts in a timely manner. We found that 93 percent of receipts reviewed totaling \$1.47 million were deposited, on average, 35 days after receipt.
- Has not submitted an annual accounting to the Board for fiscal years 2015 and 2016 and has not provided the public accountant hired to audit the books and records with adequate information. As a result, the 2015 and 2016 annual audits have not been performed.

Key Recommendations

The Supervisor should:

- Maintain complete and accurate accounting records and deposit all money in a timely manner.
- Submit annual financial reports to the Board and cooperate with the public accountant hired to audit the books and records.

The Supervisor agreed with our recommendations and indicated she planned to initiate correction action.

Background

The Town of Carlton (Town) is located in Orleans County (County).

The Town Board (Board) is composed of five elected members and is the legislative body responsible for the general management and control of the Town's financial and operational affairs.

The Supervisor, who is a member of the Board, serves as the Town's chief financial officer and is responsible for performing accounting functions, including maintaining accounting records and providing monthly financial reports to the Board. The Town contracts with a bookkeeping firm to assist the Supervisor in performing the financial duties.

Quick Facts

2017 Budget	\$2.5 million
Residents	3,000
Employees	26

Audit Period

January 1, 2015 – October 2, 2017

We extended our review back to 2013 for certain records relating to tourism revenue.

Town Supervisor's Fiscal Responsibilities

What Are the Supervisor's Fiscal Responsibilities?

As the chief financial officer, the Supervisor must ensure suitable records are maintained and financial information is recorded accurately and in a timely manner. The Town's financial data must be complete, accurate and up-to-date to be relevant and useful for managing Town operations.

The Supervisor is responsible for collecting, receiving and having custody of all money belonging to or due the Town. New York State Town Law also requires the Supervisor to deposit and secure Town money within 10 days after receipt. However, the statutory deadline is really the latest point in time at which a deposit should be made. Cash receipts should be deposited as soon as possible, because the longer money remains undeposited, the greater the risk that loss or theft can occur. The Supervisor is also responsible for signing Town checks and paying claims audited and approved by the Board in a timely manner.

The Supervisor's Accounting Records Were Not Accurate and Complete

We reviewed the Supervisor's accounting records and financial reports for the period January 1, 2015 through October 2, 2017 and found that the Supervisor did not ensure that the accounting records were accurate and complete. We noted the following discrepancies:

- The Supervisor did not properly account for and report cash receipts and disbursements relating to tourism revenue. The Town received \$25,000 from the World Fishing Network in 2013 to promote fishing tourism in the Town. The Supervisor deposited the money in its own separate bank account and made 34 disbursements totaling \$19,619 from the account during the period September 1, 2013 through August 31, 2017. However, the Supervisor did not have the bookkeeping firm record the receipt or disbursements in the Town's accounting records and did not report the activity to the Board. The Town also did not maintain receipts or invoices for these payments. We reviewed the bank statements and canceled check images and discussed the payments with Town officials. We found the payments were appropriate. However, the payments were not audited or approved by the Board.
- The Town's 2015 mortgage tax payment of \$18,733 from the County was not deposited or recorded in Town records until April 2016. As a result, this annual revenue was recorded in the wrong fiscal year. The County originally issued the check on November 4, 2015, but had to issue a new check in April 2016 because the first check was never deposited. The Supervisor told us that the original check was lost in the mail so the Town requested a replacement check. Although the check may have been lost in the mail, the Supervisor could not explain why it took five months to realize that it was missing. Had the Supervisor been performing an appropriate review of the monthly financial reports and

budget to actual comparisons, it would have been apparent the Town had not received its mortgage tax payment as budgeted.

- The Supervisor also misplaced two checks totaling \$2,015 from the Town Justices. The Justices remitted the April 2016 collections of fines and fees to the Supervisor on May 2, 2016 but had to reissue the checks several months later because the Supervisor never deposited the original checks. One Justice reissued one check in August 2016 and the other in September 2016.

It is important to maintain accurate and complete accounting records so that the Board and Town officials can determine the Town's financial condition at any point in time. Without accurate financial information, officials cannot make informed financial decisions.

Deposits Were Not Always Timely

The Supervisor did not deposit funds within 10 days of receipt. We reviewed 72 receipts totaling \$1.51 million and found 67 receipts totaling \$1.47 million were deposited between 11 and 182 days after receipt. On average, deposits were made 35 days after receipt. For example, the County made a \$24,072 sales tax payment to the Town on April 1, 2016 but the check was not deposited until September 30, 2016.

Because the Supervisor did not make timely deposits, revenues were not correctly reported to the Board in monthly reports. As a result, the Board did not receive an accurate reporting of revenues received each month, and the Town's financial position was distorted in monthly reports. For example, 23 receipts totaling \$319,514 were not reported as revenue during the month in which they were received. Typically, these receipts were not deposited or recorded until at least a month after being received.

The Supervisor was unaware of the statutory requirement for deposits and only made one deposit at the end of each month. As a result of untimely depositing, some checks were lost, funds were not available for use and accounting records were not accurate.

Payments to New York State Were Not Made in a Timely Manner

The Supervisor did not pay invoices from the New York State Justice Court Fund (JCF)¹ in a timely manner. After town justices electronically file monthly reports, JCF sends an invoice and billing statement to each town supervisor, and the supervisor is responsible for ensuring payments are made within 30 days of receipt.

¹ The JCF is a special fund established by the State Comptroller pursuant to Section 99-a of the New York State Finance Law. Its purpose is to provide centralized accounting for the fines, penalties, forfeitures and fees collected by the town and village justice courts throughout New York State.

We reviewed 30 JCF bills for the period January 1, 2015 through July 31, 2017 and found 26 bills were paid, on average, 44 days late.

The Supervisor forgets to make the payments. As a result, the Town is at a risk that the Office of the State Comptroller (OSC) may intercept any other State payments due to the Town to collect overdue receipts.

What Is the Supervisor's Responsibility for Financial Reporting?

The Supervisor is required to annually complete and file with OSC a detailed annual report of all financial activity for the preceding year, known as the annual update document (AUD). Town Law requires the Supervisor to submit an accounting to the Board on or before January 20 for all money received and disbursed during the preceding year unless a public accountant has been hired to audit the Supervisor's books and records within 60 days after the close of the fiscal year. The Supervisor's annual report helps the Board fulfill its fiscal oversight responsibilities by providing it with an opportunity to assess the reliability of the books, records and supporting documents. It also serves to identify conditions that need improvement and provides useful information to help the Board oversee the Town's financial operations.

Financial Reporting Was Not Completed in a Timely Manner

While the bookkeeping firm files the AUD with OSC as required, as of October 2, 2017, the Supervisor has not provided the Board with the required annual reports for 2015 and 2016. The Board engaged a public accounting firm to audit the Supervisor's records for 2015 and 2016, but the audits have not been completed. A representative from the accounting firm told us that the audits could not be completed because the Supervisor had not provided the necessary and requested documentation. As a result, the 2015 and 2016 audits² were not completed as of October 2, 2017.

The Supervisor's failure to provide the Board with timely and accurate financial reports diminishes the Board's ability to effectively monitor Town financial operations and could result in errors occurring and remaining undetected and uncorrected.

The Supervisor relies on the bookkeeping firm to handle the day-to-day accounting activities and provides minimal oversight of the firm. Furthermore, the Supervisor is not properly depositing and disbursing funds and accounting for all Town money. Consequently, the Supervisor is not adequately fulfilling required financial duties and is exposing the Town to unnecessary financial risk.

² The accounting firm will not begin the audit of 2016 until 2015 is completed.

What Do We Recommend?

The Supervisor should:

1. Maintain complete, accurate and timely accounting records that account for all cash receipt and disbursement activities.
2. Deposit and secure all money as soon as possible but within 10 days of receipt.
3. Ensure all disbursements are audited and approved by the Board prior to payment and disbursements to JCF are made in a timely manner.
4. Submit required financial information to the public accountant to ensure annual audits are completed and/or submit an annual accounting to the Board on or before January 20.
5. Provide proper oversight of the bookkeeping firm.

Appendix A: Response From Town Officials



14341 Waterport Carlton Road
Albion, NY 14411
Phone: 585-682-4358

*Gayle Ashbery, Supervisor
Karen Narburgh, Town Clerk*

February 7, 2018

Re: Town of Carlton
Response to OSC Report
January 2018

To Whom It May Concern:

We recognize the key findings are highly critical of fiscal oversight for the audit period from January 1, 2015 to October 2, 2017. We also understand that we are a small municipality where elected officials are part-time.

Our responses to your Key findings are as follows:

- We have made changes during this audit period by engaging professional services that will supplement our ability to be available to meet our fiscal responsibilities and to ensure that accounting records are accurate and complete.
- We are now depositing receipts on a timely manner.
- We believe we have filed our Annual Update Document on a timely basis and we have engaged a CPA firm to audit our books. The delays in finalizing audits have been two-fold. Changes at the CPA firm and our ability to respond on a timely basis are being addressed.

We recognize that the firm that assists us with our monthly record keeping are not independent and cannot audit our books as required by Town Law #123. We also recognize the requirement for adequate oversight and have not given them the ability to approve or sign any disbursements.

We appreciate the issues raised by NYS Comptroller in its audit. It has helped us recognize areas where we can improve. We believe we have addressed many of them and we will continue to address other issues that small municipalities like ours face.

Very truly yours,

Gayle Ashbery
Supervisor

This institution is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint form found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed the Supervisor and an employee of the bookkeeping firm and reviewed the Board minutes to obtain an understanding of the Town's accounting practices.
- We obtained a list of payments made to the Supervisor from the State, County, Town Justices and Town Clerk. We traced all payments from the State and County and a biased judgmental sample of eight payments from the Town Justices and Town Clerk to the accounting records and bank statements to determine whether receipts were recorded accurately and deposited timely and intact.
- We reviewed payments made to the New York State Justice Court Fund to determine whether the Supervisor paid these bills in a timely manner.
- We reviewed bank statements and bank reconciliations to determine whether bank reconciliations were properly performed.
- We reviewed the fishing tourism bank account disbursements and the supporting documentation to determine whether the disbursements were properly supported.

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

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems
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
www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans
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
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
www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers
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
www.osc.state.ny.us/localgov/academy/index.htm

Contact

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