

Broadalbin Youth Commission

Financial Operations

OCTOBER 2018



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

Contents

- Report Highlights 1**

- Board Governance 2**
 - Why Should an Intermunicipal Agreement Be Entered Into? 2
 - The Participating Municipalities Did Not Enter into an Intermunicipal Agreement 2
 - Commission Financial Activity Was Not Properly Recorded and Reported 3
 - The Board Did Not Approve Salaries and Stipends 4
 - What Do We Recommend? 5

- Collections 7**
 - How Should Collections Be Documented and Deposited? 7
 - Collections Were Inadequately Documented 7
 - Collection Records Were Inadequate 8
 - Collection of Certain Fees Was Not Enforced 9
 - Officials Were Unable to Determine Whether All Remittances Were Deposited Intact 10
 - What Do We Recommend? 11

- Claims Auditing 12**
 - What is a Proper Claims Audit? 12
 - Claims Were Not Properly Audited. 12
 - What Do We Recommend? 13

- Appendix A – Response From Commission Officials 14**

- Appendix B – Audit Methodology and Standards 21**

- Appendix C – Resources and Services 23**

Report Highlights

Broadalbin Youth Commission

Audit Objective

Determine whether:

- The participating municipalities entered into an intermunicipal agreement to govern the Commission.
- Collections were adequately documented and deposited.
- The Board ensured that claims were properly audited, adequately supported and for a legitimate purpose.

Key Findings

- Town and Village officials did not enter into a written intermunicipal agreement.
- The Board cannot ensure all collections were remitted and deposited.
- Claims were not audited before payment.

Key Recommendations

- Enter into a written intermunicipal agreement.
- Issue press-numbered duplicate receipts for any cash, checks or money orders received.
- Audit all claims before payment.

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

Background

The Broadalbin Youth Commission (Commission) has been in existence since at least 1950 (it is unclear exactly when the Commission was established) and is operated as a joint activity which provides youth and recreational services to children.

The Commission is governed by a nine-member Board of Commissioners (Board), which is co-chaired by the Town of Broadalbin Supervisor (Supervisor) and the Village of Broadalbin Mayor (Mayor).

The other Board members, including one representative from the Broadalbin-Perth Central School District, and the Commission Director (Director), are appointed by the Supervisor and Mayor subject to Board approval. The Board and Director are responsible for managing and overseeing Commission finances.

Audit Period

Quick Facts

Employees	11
2016 Revenues	\$101,000
2016 Expenditures	\$88,000

January 1, 2016 – June 30, 2017. We extended our scope period forward though July 31, 2017 to review cash receipts.

Board Governance

Why Should an Intermunicipal Agreement Be Entered Into?

Local governments are authorized to enter into intermunicipal agreements with other local governments to operate youth bureaus and commissions.¹ It is the responsibility of the governing board of each local government participating in the joint service to enter into such an agreement with the other local government and gain a full understanding of its authority and the applicable legal responsibilities and requirements.

The intermunicipal agreement should designate the chief fiscal officer (CFO) of one of the participating municipalities to be the joint activity's fiscal officer, responsible for maintaining accounting records, custody of funds and filing an annual financial report (AUD) with the Office of the State Comptroller (OSC).² As a best practice, the governing bodies of each participating local government should include provisions in the agreement, or establish supplemental procedures, to assign oversight responsibilities such as reviewing and approving budgets, reviewing periodic reports of revenues and expenditures and conducting annual audits of joint activity records.

Local governments may provide a joint youth service and designate a group of individuals, such as a commission, to be responsible for the joint service's day-to-day operations. These designated individuals and any other individuals engaged to provide the joint service may be considered to be employees of one or more of the participating local governments. As a best practice, the agreement should identify which local government these individuals are employed by and provide a mechanism for one or more of the local governments' governing bodies to authorize the hiring of employees and approve their salaries and wages.

The Participating Municipalities Did Not Enter into an Intermunicipal Agreement

The Village's governing board agreed to participate in the Commission in coordination with the Town's governing board. However, the boards did not enter into an agreement or formally outline the Town's or the Village's roles and responsibilities. The governing boards also did not establish policies or procedures for Commission operations or outline the Board's responsibilities.

Additionally, the Board failed to establish policies and procedures to help ensure it provided adequate oversight of the Commission's financial operations. Further,

¹ For examples see New York State General Municipal Law (GML), Section 119-o; New York State Executive Law (Executive Law), Section 422(5) and GML, Sections 224-b and 244-d. It appears the Commission initially operated pursuant to a 1945 law, which was the predecessor statute to Executive Law, Section 422 (See the Town's governing board resolution dated April 6, 1950).

² Pursuant to GML, Section 30(1), if there is a separate treasurer for a joint municipal activity, the annual financial report is prepared by that treasurer.

a fiscal officer was not designated for the Commission. Instead, the duties of maintaining accounting records and having custody of Commission funds were shared by the Supervisor and the Village Clerk-Treasurer (Clerk-Treasurer).

Commission Financial Activity Was Not Properly Recorded and Reported

The Commission's primary sources of revenue include annual contributions³ from the Town and Village, fees for activities, fundraising collections⁴ and donations. Commission officials have access to two operating bank accounts, (referred to as the municipal account and the fundraising account) and separate accounting records are maintained for the activities related to each account.

Officials also have access to capital reserve and construction bank accounts maintained by the Town and used to account for money Commission officials have retained to construct a Town park. These accounts are reported in the Town's AUD.⁵

The municipal account is maintained by the Town and the annual contributions from the Town and Village are deposited in this account. The Supervisor is the custodian of this account and, assisted by his bookkeeper, maintains the associated accounting records, makes deposits and processes disbursements, which include all payroll payments and the annual liability insurance premium. The Supervisor, in his role as Board's co-chair, prepares the annual budget for the municipal account.

The fundraising account is maintained by the Village and collections from fees, fundraising and donations are deposited into this account. The Clerk-Treasurer is custodian of this account and maintains the associated accounting records, makes deposits and processes disbursements, which include expenditures for facilitating Commission activities (e.g., sports equipment and supplies, tickets for activities and sporting event referee fees). The Director prepares the annual budget for the fundraising account.

While the Board reviewed and approved the annual budgets, the Town's and the Village's governing boards did not approve them. The Clerk-Treasurer provided the Board with monthly reports comparing actual revenues and expenditures with estimates for the fundraising account budget. While the Supervisor provided the Board with the monthly municipal account bank statements, he did not provide monthly budget vs. actual financial reports.

³ For 2016, the Town contributed \$18,500 and the Village contributed \$4,950.

⁴ The legal propriety of conducting fundraising activities by the Commission is not within the scope of this report.

⁵ For the purposes of this report, we did not review whether these accumulations of funds were properly authorized under GML (See GML, Section 6-c).

Neither the Clerk-Treasurer nor the Supervisor prepared and provided the Board with a consolidated accounting of Commission financial activity or filed an AUD with OSC since 2003.⁶ According to Town and Village officials, although this arrangement was not outlined in an agreement, it was the manner in which the Commission operated.

As a result, the Board did not review periodic budget status reports for the municipal fund or consolidated financial activity, which diminishes its ability to effectively govern and monitor operations. Further, the failure to file AUDs greatly impairs the ability of the Board, the Town and Village governing boards and the public to review Commission financial activity.

The Board Did Not Approve Salaries and Stipends

Commission staff members are treated as Town employees. Payroll expenditures for 2016 totaled \$21,464 and represented 19 percent of the Commission's budget for that year. Annually, the Commission's recreation director hires all counselors and sets the salary for herself and the counselors. However, the Board and the Town's governing board do not authorize the hiring or approve the salaries set by the recreation director.

Commission officials told us that salaries are approved in conjunction with their annual budget approval. Although the budget specifically states the Director's and recreation director's salaries, it includes one combined total appropriation each for the counselors' and senior counselors' salaries instead of identifying the amount to pay each counselor. The 2016 Board-adopted municipal account budget includes appropriations for salaries of \$4,500 for the Director, \$2,500 for the recreation director, \$2,000 for senior counselors and \$6,000 for counselors.⁷

We compared the salaries paid in 2016 for all 11 employees to the amounts budgeted and found that the recreation director was paid \$500 more than authorized. We also compared the total amount paid to counselors to the amounts budgeted and found that in total, the senior counselors were paid \$856 more than authorized.

During our audit period, in addition to their salaries, the Director received three stipends totaling \$2,500 and the recreation director received a stipend of \$500.⁸

6 Executive Law (section 422[5]) and GML (section 119-o[2][h]) provide for designating the fiscal officer of one of the participating local governments as custodian of funds of the joint service, with payments made on audit of the auditing body or officer of that participant. Similarly, under GML, Section 30(1), if there is a separate treasurer for a joint activity, the AUD would be made by the separate treasurer of a joint activity.

7 The Town employed nine counselors for the 2016 summer program, who were paid from \$500 to \$2,000.

8 The Director received stipends totaling \$1,500 in 2016 (\$1,000 performance and \$500 as football coordinator) and \$1,000 in stipend in 2017 (performance). The Recreation Director received a \$500 stipend in 2016 per the 2016 budget.

The Supervisor told us that he authorized the Director's \$2,000 performance stipends based on past practices, even though these payments were not provided for in the annual budgets or authorized by the Board or the Town's governing board.

The Supervisor also told us that the stipends were paid each year as a reward for good job performance but there were no performance standards or reviews to support the additional payments. Further, none of these stipends were processed through payroll as part of the Director's salary and instead paid as claims that were approved by the Town's governing board. As a result, payroll taxes were not withheld and the stipends were not included in the salaries reported on the Director's and recreation director's federal W-2 forms.

Although not outlined in an agreement, Commission staff are treated as Town employees. As a result, the Town's governing board should approve all salaries, wages and include any stipends in the amounts approved, but it did not do so. Further, because the Board did not approve all salaries and wages, or receive periodic budget status reports for the municipal account, the Board members did not have a clear understanding of the effect the payroll expenditures had on the Commission's finances and were unable to effectively govern Commission operations.

What Do We Recommend?

The Town's and Village's governing boards should:

1. Enter into a written intermunicipal agreement that outlines Commission, Town and Village roles and responsibilities.
2. Designate a fiscal officer for the Commission to be responsible for maintaining accounting records, custody of funds and filing the AUD.
3. Adopt policies and procedures for the Commission's operations and governance.
4. Approve the Commission's annual budgets.
5. Include all compensation on the payroll and withhold appropriate taxes and determine whether federal W-2 forms should be amended for prior years.
6. Approve Commission personnel decisions, salaries, wages and consult with the IRS to determine the proper reporting of prior years' additional compensation for income tax purposes.
7. Ensure the annual AUDs are completed and filed with OSC.

The Commission Board should:

8. Ensure the fiscal officer maintains consolidated financial records summarizing all Commission financial activity.
9. Approve all Commission personnel decisions, salaries, wages and pay rates and submit to the Town and Village governing boards for approval.

Collections

The Commission's collections consist of funding from the Town and Village, fees from sport registrations, summer program fees, field trip fees, fundraising collections, concession sales and donations. Collections are deposited primarily in the fundraising account. However, the Town and Village annual appropriations are deposited in the municipal account and collections related to one specific annual fundraiser are deposited in the reserve account.

How Should Collections Be Documented and Deposited?

To ensure collections are properly documented, recorded and deposited, collecting officials should issue duplicate press-numbered receipts or maintain other adequate documentation of collections (i.e., registration form or sales register tape).⁹ One copy of each receipt should be provided to the customer and one copy should be retained by the Commission. For concession sales and fundraising event collections, cash collection records or cash register tapes should be reconciled to the amount of cash on hand from sales and donations on a daily basis.

Any discrepancies between the cash on hand and the related receipts and records should be reviewed and explained in a timely manner. Further, for those fees that do not require immediate payment, Commission officials should implement a process to identify and follow-up on unpaid fees and ensure they are collected.

Collections and collection records should be remitted to and retained by the fiscal officer designated in the intermunicipal agreement, who is responsible for making deposits. The fiscal officer should compare collections to the corresponding records to ensure that all collections are accounted for and issue a receipt to the Commission official who remitted the collection to them.

The fiscal officer should deposit the collections timely and intact (in the same amount and form as received). When making deposits, the fiscal officer should prepare duplicate deposit slips with enough detail to identify the composition of the deposit between cash and the individual checks being deposited. The accountability over collections is enhanced when duplicate detailed deposit slips are prepared.

Collections Were Inadequately Documented

Collections were received by the Clerk-Treasurer, Supervisor, recreation director, Board members (who may receive collections as part of a fundraising event),

⁹ GML, Section 99-b provides that every public officer or employee who receives money on behalf of a municipality shall, when no other evidence of satisfactory for purpose of audit is available, issue a consecutively numbered receipt to the person paying and retain a copy.

fundraising coordinator and sports coordinators. However, these individuals did not issue duplicate receipts or maintain another form of documentation that included the payer, date and purpose of payment, amount paid and form of payment (i.e., cash or check). Further, because Town and Village officials did not enter into an intermunicipal agreement and designate a fiscal officer, the responsibility for making deposits was shared by the Supervisor and the Clerk-Treasurer.

The Commission collects money from various sources throughout the year and these collections are commingled when remitted for deposit without sufficient supporting detail to identify the portion of each remittance associated with each type of collection. As a result, the Board lacks assurance that collections are recorded and remitted to the Supervisor or Clerk-Treasurer for deposit.

Collection Records Were Inadequate

The Clerk-Treasurer recorded and deposited remittances from the recreation director during our audit period totaling \$18,478. We found that collection records were not maintained.

We reviewed the Clerk-Treasurer's 2016 and 2017 daily cash receipts journal and bank deposits. We compared this information to other available information (i.e., cash receipt and disbursement reports, deposit slips, supporting claims and invoices) for the summer 2016 recreation program¹⁰ and the purchase of tickets for events and activities (e.g., movies, amusement parks and theatrical productions) to determine (based on the number of attendees), how much should have been collected for each event and whether that amount was remitted to the Clerk-Treasurer for deposit.

For the 2016 summer program registrations and trips, we found no significant variances between the recorded collections and the total cost of trips and activities and/or tickets purchased and sold.

The Commission expended \$4,137 for tickets and transportation for summer 2017 trips.¹¹ Due to the lack of detailed collections records and the commingling of deposits, we combined all summer trip remittances together in our analysis for comparison to the total costs related for these trips. We found that collections recorded and deposited for these trips totaled \$3,283 for a loss or potential shortage of \$854.

According to the recreation director, the Commission realized a \$970 loss on the summer baseball game trip due to selling 29 of 55 tickets purchased. The

¹⁰ A summer program was not held in 2017. However, several activities and trips were held that year.

¹¹ These summer trips included the Saratoga County fair, a baseball game at Citi Field and a flight trampoline

recreation director also told us that she gave away eight tickets¹² and sold the remaining 18 tickets¹³ for \$200 the day of the game (to an unrelated individual who intended to resell the tickets).¹⁴ However, Commission officials could provide no records of ticket sales or the event participants.

Further, the recreation director did not maintain any collection records for \$666 in concession sales she collected and remitted to the Clerk-Treasurer (\$565 from basketball concessions and \$101 from 2016 summer program concessions). The recreation director told us that she purchased items for resale at the concession stands with her own funds and then remitted the profit from these sales to the Clerk-Treasurer.¹⁵ By not maintaining a record of items purchased the Board cannot determine what the amount of revenue from sales should have been received.

Because adequate documentation of collections is not maintained, the Board cannot ensure that all collections are deposited timely or intact, and there is an increased risk that errors or irregularities could occur and remain undetected.

Collection of Certain Fees Was Not Enforced¹⁶

The Commission collects two fees that do not require immediate payment (i.e., sport registration fees and concession volunteer opt-out fees required to be paid by parents or guardians who choose not to volunteer at the concession stand). Sports registrations are collected and processed online by two online vendors and the fees (less a credit card processing fee) are deposited by the third party vendors into the fundraising account. Participants may make partial payments or decline to pay online and make payment directly to the Clerk-Treasurer.

Commission officials do not have a policy for enforcing unpaid fees. At the end of a sport's season, the sport coordinator¹⁷ prepares and sends out past due notices to participants who have not paid their registration fees in full. However, Commission officials do not follow-up to ensure that these past due accounts are paid in full. Additionally, the sports coordinator does not identify parents who did not volunteer at the little league field concession stand, send out past due notices

12 Three tickets for herself and two counselors (for chaperoning the trip) and five to children.

13 The Commission purchased these tickets at a cost of \$38.45 each for a total cost of \$692.10.

14 The legal propriety of the Commission giving away tickets and selling tickets for re-sale by a third party was not within the scope of this report.

15 The legality of this is not within our audit scope.

16 For the purposes of our audit, we assumed the legal propriety of the practices discussed in this section of the report.

17 The Commission has seven coordinators among different sports and seasons (football, softball, baseball, basketball and soccer).

for unpaid opt-out fees or conduct other procedures to ensure these fees are collected.

We examined all 1,454 registrations and related sport sponsorships¹⁸ resulting in collections totaling \$57,030 (\$5,870 paid in cash or check directly to the Commission and \$51,160 paid online by credit card) during our audit period. We also tested 25 electronic fund transfers totaling \$23,074 from the third party vendors and found they were properly deposited into the fundraising account and recorded by the Clerk-Treasurer. We found that 93 registrants did not pay \$4,110 in registration fees.

The Director told us that registration fees are waived based upon a participant's financial status. Additionally, registration fees for the Clerk-Treasurer's family are waived as additional compensation in lieu of receiving a stipend. However, the Board did not authorize this practice by adopting a fee schedule outlining the fees to be charged to various participants and the circumstances under which fees may be reduced. We found that seven registrations totaling \$430 were waived for financial status and 11 totaling \$285 were waived as compensation to the Clerk-Treasurer.

For the 2017 little league registrations,¹⁹ 76 parents who did not volunteer at the concession stand did not pay the \$20 opt-out fee. According to the little league coordinator, in 2017 six parents volunteered at the concession stand. As a result, \$1,400 in opt-out fees were not collected from these parents. Further, due to a lack of volunteers, the Commission expended \$1,100 on wages to staff the concession stand during games.

Commission officials' failure to implement an adequate follow-up procedures for outstanding fees resulted in not realizing all revenues and further increases the risk that errors or irregularities could occur and not be detected.

Officials Were Unable to Determine Whether All Remittances Were Deposited Intact

During our audit period, the Town provided \$37,000 to the Commission and the Village provided \$9,900. The Supervisor accurately accounted for and deposited these funds intact and in a timely manner. The Supervisor also deposited collections from the annual home show fundraiser. These collections were first remitted to the Clerk-Treasurer, who prepared a list of the collections (including the form of payment) and then remitted to the Supervisor. We compared the

18 Businesses and organizations may sponsor a team and have the team named after that business or organization.

19 The current little league coordinator started in 2017 and was unaware of the number of parents who volunteered in 2016.

documentation prepared by the Clerk-Treasurer to the Supervisor's home show deposit and found that the Supervisor deposited \$20,978 intact and in a timely manner.

The Clerk-Treasurer recorded \$140,434 in collections from fees for activities, fundraising and concession sales in the daily receipt log and cash journal. However, she did not record the form in which these collections were received (cash or check), issue duplicate receipts for the funds remitted to her or prepare duplicate deposit slips. Further, the recreation director and other Commission staff did not maintain or retain any collection information for collections remitted to the Clerk-Treasurer.

We examined 136 collections totaling \$47,624 remitted to the Clerk-Treasurer during our audit period. We found that collections recorded by the Clerk-Treasurer in the daily receipts log and cash journal were deposited in a timely manner. However, because Commission staff did not maintain and provide the Clerk-Treasurer with collection records and the Clerk-Treasurer did not issue duplicate receipts for collections remitted to her, Commission officials are unable to determine if all collections remitted are deposited intact.

What Do We Recommend?

The Commission Board should:

10. Implement procedures to improve controls over collections.
11. Review the potential shortages identified in this report and determine whether further action should be taken to collect any missing money.
12. Enforce collection of unpaid fees.
13. In consultation with legal counsel, create and implement a fee schedule for participants.
14. Determine if members of the Clerk-Treasurer's family should get registration fees waived and, if so, who is eligible.

The Clerk-Treasurer and all Commission staff handling collections should:

15. Issue press-number duplicate receipts for cash, checks or money orders collected.

The designated CFO should:

16. Prepare and retain detailed duplicate deposit slips.

Claims Auditing

What is a Proper Claims Audit?

Under applicable statutes, the fiscal officer of one participating municipality may maintain custody of the funds made available for Commission purposes. The fiscal officer may make payments for Commission claims after an audit of claims is performed by the appropriate auditing body or officer of that municipality.²⁰

As a best practice, Board should perform a preaudit of claims before the claims are submitted to the auditing body to help ensure that funds are used for legitimate expenditures. These preaudit approvals should be evidenced in writing by documenting them in the Board minutes.

Claims Were Not Properly Audited

Commission claims were paid by both the Supervisor and the Clerk-Treasurer because Town and Village officials did not designate the CFO of one municipality as the Commission's fiscal officer. As custodian of the municipal account, the Supervisor was responsible for preparing checks and paying Commission claims from that account. Similarly, as custodian of the fundraising account, the Clerk-Treasurer was responsible for preparing checks and paying Commission claims from that account.

The Town's governing board audited and approved claims paid from the municipal account before payment. However, the Village's governing board did not audit and approve claims paid from the fundraising account before payment. The Clerk-Treasurer told us that she was unaware that these claims were required to be audited by the Village's governing board because the fundraising account is composed of fees charged to event participants and fundraising actives.

The Board did not adequately oversee the Commission's disbursement process by conducting a preaudit of claims paid by the Town and Village on the Commission's behalf. The Clerk-Treasurer provided the Board with a monthly detailed disbursement report and the Supervisor provided the Board with copies of bank statements including copies of all checks issued. Additionally, the Clerk-Treasurer submitted claims for approval to the Director or the recreation director (who were responsible for making purchases) to document authorization. However, the Board did not review or approve any claims before payment.

Providing information on claims after they are paid and obtaining approval from those responsible for making purchases does not lessen the risks associated with the Board's failure to conduct a preaudit of claims.

We examined all 11 Commission claims totaling \$9,271 paid by the Supervisor to determine whether they were audited by the Town's governing board, adequately supported and for appropriate purposes. Except for the stipend payments

²⁰ See GML, Section 119-o (2) (h) and Executive Law, Section 422(5).

previously discussed in this report and minor issues, which we discussed with Town officials, the Town's governing board conducted a complete and thorough audit and claims were adequately supported and for appropriate purposes.

We also reviewed all 251 Commission claims totaling \$129,923 paid by the Clerk-Treasurer to determine whether they were audited by the Village's governing board, adequately supported and for appropriate purposes. We found that none of these claims were audited by the Village's governing board.

- Adequate supporting documentation was not maintained for 59 claims totaling \$26,073 (e.g., a vendor invoice, receipt or other supporting documentation).
- The Director did not approve 75 claims totaling \$30,110.

We determined that 54 claims totaling \$24,068 (of the 59 claims lacking adequate documentation) were for appropriate purposes. Even though the remaining five claims totaling \$2,005 were approved by the Director, we were unable to determine whether they were for appropriate purposes. For example, four claims totaling \$1,580 were for cash advances to sports coordinators to pay for umpire fees, but Commission officials were unable to provide us with evidence to show the umpires' names and the dates these fees were paid. Further, we are unaware of any underlying legal authority to make such advances.

Because the Board did not conduct a preaudit of claims and the Village's governing board did not audit Commission claims, the Board has diminished assurance that disbursements are made for appropriate purposes.

What Do We Recommend?

The Town's and Village's governing boards should:

17. Determine which municipality will perform the duties of fiscal officer and then centralize financial functions with the appropriate Board and CFO.

The Commission Board should:

18. Require invoices, receipts or other supporting documentation for a claim to be approved by the Director.
19. Review and approve all claims before submission to the Fiscal Officer for audit and payment.

The governing board of the participating municipality whose CFO is designated the fiscal officer should:

20. Audit and approve all Commission claims before payment.

Appendix A: Response From Commission Officials

**TOWN OF BROADALBIN
201 UNION MILLS ROAD,
P.O.BOX 548
BROADALBIN, NY 12025**

PHONE (518) 883 - 4657

tobnysupfc@outlook.com

(518) 883 - 5881 FAX

September 18, 2018

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 128 - 4396

**Audit Response Letter from The Town Supervisor of the Town of Broadalbin, Fulton Co., NY
To the Draft Financial Operations Report of the Broadalbin Youth Commission - 2018M-19**

At the regular Town Board meeting of the Town of Broadalbin held Tuesday, September 11th, 2018 the following took place following review of the attached documents:

On a motion by Councilman Kissinger and seconded by Councilman Greco the Town of Broadalbin Town Board approved Supervisor Perry, as co-chairman of the Broadalbin Youth Commission, to complete and forward to the Office of the State Comptroller the response and Corrective Action Plan to the Draft Financial Operations Report:
Discussion: none

Vote: Bogardus - aye, Gilston - aye, Perry - aye, Greco - aye, Kissinger - aye

 _____, Town Clerk
Cheryl Briggs

**Audit Response Letter from The Town Supervisor of the Town of Broadalbin, Fulton Co., NY
To the Draft Financial Operations Report of the Broadalbin Youth Commission - 2018M-19**

PAGE 2

Response:

At the time I became the Supervisor of the Town of Broadalbin, an audit of the Town of Broadalbin and the Broadalbin Youth Commission had already been in progress for seven months. I received the oral findings on the audit of the Youth Commission just before I attended first monthly meeting.

Village Mayor Larry Cornell and I serve as co-chairmen of the Commission, representing our respective municipalities. Many members have been active on the governing board since their children were on the sports teams, and now enjoy their grandchildren enjoying the program. The Commission was very used to functioning in a certain way, and not particularly warm at first to most of the auditors' suggestions. However, over the past eight months, most of the nine voting members have come to see that implementing a more structured method of handling the disbursements and receipts will only serve to benefit the program long term, both financially and in the eyes of the public.

I have asked all the commission member for responses to the findings and those corrective actions recommended by the OSC. Those comments are noted within the various responses that follow.

Because it is the strong recommendation of the report that the accounting be consolidated in one municipality or the other; and because the Town already administers the majority of the bank accounts, it has been suggested by the auditors that the Town manage all the accounts. Adding to this reasoning is the fact that the long-time (30 year) Clerk-Treasurer for the Village who is also the Treasurer for the Youth Commission is retiring at the end of 2019.

Her impending retirement, the recent audit of the Youth Commission and the strong suggestion of both the Town of Broadalbin Attorney and contract Town CPA that the Commission become a 501-C3 suggest that by the end of next year the structure and status of the Broadalbin Youth Commission will be one of the following:

- Remain the same with new bi-laws and inter-municipal agreement(s)
- Be managed at the Town by a paid CPA paid by the Commission
- Become a Not-For-Profit entity

Therefore, although I will reply and form plans based on the present Board of Commissioners, a different entity may ultimately be created to provide youth and recreational services to the children of Broadalbin.

These writings will serve as both a response and a CAP to the Broadalbin Youth Commission report - 2018M-19.

Sheila C. Perry, Town Supervisor
TOWN OF BROADALBIN, NEW YORK

Audit Response Letter from The Town Supervisor of the Town of Broadalbin, Fulton Co., NY
To the Draft Financial Operations Report of the Broadalbin Youth Commission - 2018M-19

Office of the State Comptroller, Division of Local Government & School Accountability
PSU - CAP Submissions
110 State Street, 12th Floor
Albany, NY - 12236

The following will serve as the CAP:

EXECUTIVE WORK SESSION HELD SATURDAY, SEPTEMBER 8, 2018 ON THE CORRECTIVE ACTION PLAN IN RESPONSE TO THE BROADALBIN YOUTH COMMISSION FINANCIAL OPERATIONS REPORT OF EXAMINATION - 2018M-19

VOTING MEMBERS IN ATTENDANCE: STEVEN TOMLINSON, B-PCSD
SAM JACKING - CHURCH REP.
KEITH BUCHANAN - AT LARGE
HEATHER LOUCKS - AT LARGE
SHEILA PERRY - TOWN SUPERVISOR
JIM TERWILLIGER - PROXY FOR CHURCH REP

Page 3

BOARD GOVERNANCE

INTER-MUNICIPAL AGREEMENT

Audit Recommendation: "The Village's governing Board, and the Town's Board did not enter in an inter-municipal agreement outlining the roles and responsibilities of each". page 4 ; page 7 - 1

Plan of action: The Town of Broadalbin Supervisor and Village of Broadalbin Mayor under the direction of their individual municipal attorneys will draft an inter-municipal agreement. Compensation for attorneys to be billed to the respective municipalities.

Date to be Implemented: within next 12 months

AUDITING RESPONSIBILITIES

2. Audit Recommendation: "The Village governing Board and the Town governing Board did not establish policies / procedures for Commission operations. Neither Board reviewed and approved BYC annual budget". page 4; page 7 - 4

Plan of action: The recent audit has made all the officers and employees of the BYC aware that a careful review of claims must occur before funds are disbursed, and that audit of claims by the Commission and the two municipal governing boards is a necessary control procedure. A copy of the BYC tentative budget will be provided both the Broadalbin Village Board and the Town of Broadalbin Town Board before adoption.

Date to be Implemented: prior to new fiscal year.

3. DESIGNATION OF FISCAL OFFICER

Audit Recommendation: "The Boards failed to establish policies and procedures to help ensure adequate oversight of the Commission; no fiscal officer was designated for the Commission." "The designated CFO should prepare and retain detailed duplicate deposit slips." page 7 - 2; 12

Plan of action: To assign the duties of fiscal officer to the Director, who in that lead purchasing agent position will set the "tone at the top" regarding the commitment of the BYC in safeguarding its financial assets and making all operations effective as to financial accountability

Date to be implemented: under bi-laws job description; ensures consolidated records are kept.

**Audit Response Letter from The Town Supervisor of the Town of Broadalbin, Fulton Co., NY
To the Draft Financial Operations Report of the Broadalbin Youth Commission - 2018M-19**

EXECUTIVE WORK SESSION ON THE CORRECTIVE ACTION PLAN IN RESPONSE TO THE
BROADALBIN YOUTH COMMISSION FINANCIAL OPERATIONS REPORT OF EXAMINATION - 2018M-19

Page 4

4. ENSURE ANNUAL AUDS ARE FILED WITH THE OSC

Audit Recommendation: "No AUD filed with OSC since 2003. The BYC budget approved by the Commission was never approved by the Town or Village Boards". page 5pa; 7 - 2

Plan of action: The Bookkeeper for the Town of Broadalbin is currently working to prepare an AUD for BYC 2017 activity. The OSC has granted that we do not have to go back to 2004 and do the thirteen interim years.

Date to be implemented: presently in process 09/07/2018

5. CONSOLIDATED ACCOUNTING

Audit Recommendation: "No consolidated accounting of the expenses and revenues of the bank accounts in the custody of the Town and Village respectively, were ever compared to the revenues and expenses projected in the budget". pages 5 & 7 - 8

Plan of action: To be set in Inter-Municipal agreement language

Date to be implemented: within next 12 months

PERSONNEL DECISIONS

6. **Audit Recommendation:** "The Town and Village boards did not approve the hiring and salaries set by the Recreation Director." page 6 - 6

Plan of Action: The application received by the director for potential employment by the BYC will be forwarded with comment to the Youth Commission liaison (s) on the Town and Village Boards who will offer them for consideration and approval. Further, unless amended by resolution of the Town Board (the "employer") the salaries and hourly wages for the Youth Commission for each year will be stated and set in the Organizational Meeting minutes.

Date to be implemented" January 2019

Audit Response Letter from The Town Supervisor of the Town of Broadalbin, Fulton Co., NY

To the Draft Financial Operations Report of the Broadalbin Youth Commission - 2018M-19

EXECUTIVE WORK SESSION ON THE CORRECTIVE ACTION PLAN IN RESPONSE TO THE
BROADALBIN YOUTH COMMISSION FINANCIAL OPERATIONS REPORT OF EXAMINATION - 2018M-19

Page 5

PERSONNEL DECISIONS - cont.

7. Audit Recommendation: "Stipends were paid each year as reward for good job performance; but no standards or reviews support these payments" page 6

Plan of action: Job descriptions and duty standards will be set by the BYC, and salary increases and stipends will only be awarded following review by the Town's (the "employer") governing Board. Again, it is appropriate that said stipends be part of the annual budget submission, review and adoption process. All compensation WILL BE included on payroll; personnel files will be updated with new W2s if necessary.

Date to be implemented: Ongoing presently since Jan. 2018

COLLECTIONS

8. Audit Recommendation: " Enhance accountability over money collected by issuing duplicate press number receipts - one to customer / one to collecting official."

Plan of action: Implement consistent procedures for collections as suggested by OSC

Date to be implemented: In use

9. Audit Recommendation: "Implement procedures to improve controls over collections." "Collection records not maintained". page 11

Plan of action: Money to fiscal officer designated in agreement will be receipted by that officer to person remitting.

Date to be implemented: system in use

10. Audit Recommendation: "No record maintained on items purchased and sold at concession stands; proceeds should be deposited intact and separate from other receipts.

Plan of action: Concession operators will receive Petty Cash (check cut) for making change. At the end of concession sales the money receipted back to the fiscal officer should equal - petty cash extended, plus profits, minus expenses for concession sales items purchased WITH RECEIPTS.

Date to be implemented: 2019 concession season

Audit Response Letter from The Town Supervisor of the Town of Broadalbin, Fulton Co., NY
To the Draft Financial Operations Report of the Broadalbin Youth Commission - 2018M-19

EXECUTIVE WORK SESSION ON THE CORRECTIVE ACTION PLAN IN RESPONSE TO THE
BROADALBIN YOUTH COMMISSION FINANCIAL OPERATIONS REPORT OF EXAMINATION - 2018M-19
Page 6

Collections - cont.

11. Audit Recommendations: "No policy for enforcing unpaid fees". "Enforce collection of unpaid fees."
page 12

Plan of action: A policy on unpaid fees for sports registration and opt-out fees for those not willing to serve will be established in the Bi-Laws and enforced as warranted. Although, the spirit and purpose of the Broadalbin Youth Commission is activities for "youth", and the failure to pay is by "adults", it is unfair to those paying when "scoffs" are not made to pay. However, the Commission reserves the right to waive fees for hardship cases by permitting those children to participate without payment.

Date to be implemented: Currently in place: online registration is now "credit card only" and payment has improved greatly. Concession season 2019: Immediate payment OR volunteer signup (and keep track).

12. Audit Recommendation: "Recreation Director and Commission staff did not maintain information on collections submitted to the Clerk Treasurer." "Commission staff did not maintain and provide the Clerk-Treasurer with collection records, and the Clerk-Treasurer did not issue duplicate receipts for collections remitted to her." (Therefore,) "Commission officials were unable to determine if all collections remitted were deposited intact." page 11

Plan of action: Everybody collecting money must keep records of those monies collected and from whom, and in what form (cash/check). These records should be kept by the Director, or Commission members for end of year reconciliation.

Date to be implemented: Implemented procedures at Village Clerk-Treasurer's office, Spring 2018; better controls over collections being progressively implement by Director with other staff.

13. Audit Recommendation: "Review the potential shortages identified in the Audit report and determine whether further action should be taken to collect the missing money" "Determine whether further action should be taken to collect (any) missing money' (and) enforce collection of unpaid fees".

Plan of action: The Commission believes they know why there were shortages, and will add the controls in item #12 to prevent future shortages. Any identified potential shortages will be investigated by the Commission. Based upon the investigation, further action will be determined by the Commission.

Date to be implemented: start process 01/01/2019

**Audit Response Letter from The Town Supervisor of the Town of Broadalbin, Fulton Co., NY
To the Draft Financial Operations Report of the Broadalbin Youth Commission - 2018M-19**

EXECUTIVE WORK SESSION ON THE CORRECTIVE ACTION PLAN IN RESPONSE TO THE
BROADALBIN YOUTH COMMISSION FINANCIAL OPERATIONS REPORT OF EXAMINATION - 2018M-19

Page 7

14. Audit Recommendation: "In consultation with legal counsel, create and implement a fee schedule for participants".

Plan of action: The Commission (no legal counsel) will create and adopt a fee schedule for each BYC activity. These fees will be reviewed and modified prior to the opening of each registration session.

Date to be implemented: 01/01/2019

15. Audit Recommendation: "Determine if members of the Clerk-Treasurer's family should get registration fees waiver, and if so, who is eligible".

Plan of action: The Commission reserves the right to waive concession stand duty / fee for coaches' families and for the Treasurers' grandchildren. They believe that people who serve should have some consideration.

Date to be implemented: on-going

Submitted by _____
Co-Chairman Broadalbin Youth Commission.
Supervisor, Town of Broadalbin, New York
Sheila C. Perry

Dated: 09/18/2018

**TOWN OF BROADALBIN
201 UNION MILLS ROAD,
P.O.BOX 548
BROADALBIN, NY 12025**

PHONE (518) 883 - 4657

tobnysupfc@outlook.com

(518) 883 - 5881 FAX

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, our audit procedures included the following:

- We gained an understanding of the Commission's creation and organizational structure by interviewing Commission officials, Village officials and Town officials and reviewing source documentation.
- We gained an understanding of the Commission's recording practices and reporting requirements by interviewing Village and Town officials and reviewing applicable statutes.
- We gained an understanding of the payroll process by interviewing the recreation director and the Supervisor, and reviewing source documentation.
- We performed testing to determine whether all payroll disbursements were authorized and accurate by comparing Board resolutions, adopted budgets and payroll schedules against 2016 W-2s.
- We gained an understanding of the claims audit process by interviewing the Clerk-Treasurer and the Supervisor and reviewing source documentation.
- We gained an understanding of the cash receipts process by interviewing the recreation director, the Clerk-Treasurer, the Supervisor and reviewing source documentation.
- We traced from source documentation, Board resolutions, daily receipt and cash journals to the bank statements and deposit slips for 39 judgmentally selected deposits (consisting of 136 collections remitted to the Clerk-Treasurer to determine whether collections were accurate and deposited intact and in a timely manner.
- We obtained deposit compositions for 39 judgmentally selected deposits to determine the form, type and amounts deposited.
- We examined all activity and event collections remitted by the recreation director to the Clerk-Treasurer and compared them to the related expenditure source documentation to evaluate whether reported collections appeared reasonable.
- We examined all online sports registration to determine whether all registration fees were collected.
- We traced 25 randomly selected electronic funds transfers from the Commission's third party vendor for online sports registration to the bank statements to determine whether collections were accurate and deposited timely.

-
- We gained an understanding of the cash disbursements process by interviewing the Director, Village officials and Town officials.
 - We traced all cash disbursements from canceled checks to the supporting documentation to determine whether disbursements were properly audited by the participating municipalities, adequately supported, accurate and for appropriate Commission purposes.

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 relevant population size 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 Village Clerk-Treasurer's and the Town Clerk's offices.

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#lmgm

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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

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

GLENS FALLS REGIONAL OFFICE – Jeffrey P. Leonard, Chief Examiner

One Broad Street Plaza • Glens Falls, New York 12801-4396

Tel (518) 793-0057 • Fax (518) 793-5797 • Email: Muni-GlensFalls@osc.ny.gov

Serving: Albany, Clinton, Essex, Franklin, Fulton, Hamilton, Montgomery, Rensselaer, Saratoga, Schenectady, Warren, Washington counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)