

# Town of Yates

## Town Supervisor's Records and Reports

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OCTOBER 2018

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

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# Report Highlights

## Town of Yates

### Audit Objective

Determine whether the Town Supervisor (Supervisor) maintained adequate financial records and reports.

### Key Findings

The Town's financial records and reports were not adequate:

- The bookkeeper maintained two cash ledgers.
- Bank reconciliations were performed inadequately for certain accounts and not at all for others.

The Supervisor did not provide:

- Adequate oversight of the bookkeeper to ensure that records were accurate and up-to-date.
- The Board with adequate financial reports, leading to the deterioration of the general town-wide's fund balance, which had a deficit of \$86,345 as of December 31, 2016.

### Key Recommendations

- Ensure that financial records are complete, accurate and up-to-date.
- Provide effective oversight of the bookkeeper.
- Provide the Board adequate, comprehensive and up-to-date monthly financial reports.
- Address the financial problems affecting the general town-wide fund when adopting the 2019 budget.

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

### Background

The Town of Yates (Town) is located in Orleans County and encompasses the Village of Lyndonville.

The Town is governed by an elected Town Board (Board) composed of a Supervisor and four council members. The Board is responsible for the general management and control of the Town's financial affairs, including adopting the annual budget and establishing financial policies. The Supervisor serves as the chief fiscal officer and is responsible for maintaining accounting records and providing the Board with timely, accurate and useful financial information. The Supervisor appointed a bookkeeper to assist him in fulfilling these duties.

#### Quick Facts

Employees	16
Population	2,560
2018 Appropriations	\$1.3 million
2017 Expenditures	\$1.1 million

### Audit Period

January 1, 2016 – July 17, 2018

# Financial Management

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## **How Should A Supervisor Maintain Adequate Financial Records and Reports?**

A supervisor is responsible for maintaining the town's financial records. A town's general ledgers, cash receipts and disbursement journals, and subsidiary revenue and appropriation ledgers must be maintained in a complete, accurate and timely manner. Only one set of ledgers should be maintained and a supervisor should reconcile the town's bank statement balances to the cash balances as recorded in the accounting system on a monthly basis. Any differences must be promptly resolved to ensure that financial activities are accounted for in a proper and timely manner. If a supervisor assigns recordkeeping duties to a bookkeeper (or accounting firm), the supervisor must provide sufficient oversight to ensure the records are accurate and up-to-date.

A supervisor is also responsible for providing monthly reports to the board summarizing financial activities. These monthly reports should include a detailed accounting of all money received and disbursed. Good business practices dictate that these reports also contain detailed information by fund on cash receipts, disbursements and balances, and year-to-date budget-to-actual comparisons of revenues and expenditures. The board's ability to make sound financial decisions is limited when it does not receive complete, accurate and timely financial information.

## **Financial Records and Reports Are Not Adequate**

The Supervisor neither maintained nor required the bookkeeper to maintain complete, accurate and up-to-date accounting records and reports, which included performing bank reconciliations for all bank accounts. The bookkeeper maintained two sets of cash ledgers; in addition to the Town's accounting system, she also maintained manual cash ledgers. For the bank reconciliations that were completed, the bookkeeper did not reconcile the bank statements to the Town's accounting system, but instead reconciled them to the manual cash ledgers which were not accurate. When we reviewed the cash ledgers, we found several recording errors in the Town's accounting records and manual cash ledgers.

In addition, for three of the five bank accounts, the November and December 2017 bank reconciliations were not performed until January 22, 2018. However, the bookkeeper told us that she only reconciles the payroll and accounts payable bank accounts (the accounts with the most significant activity) at year-end because the accounting software is not user friendly. When we requested these bank reconciliations, we found that the bookkeeper was not preparing bank reconciliations for the payroll or accounts payable bank accounts at all. The bookkeeper prepared an end-of-year bank reconciliation for 2016 and 2017 for the payroll and accounts payable bank accounts in March 2018, subsequent to our request.

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Also, the Board engaged the services of a Certified Public Accountant (CPA) to audit the Town's finances for 2016. The CPA's audit resulted in a number of adjusting journal entries to correct discrepancies with the Town's cash accounts; however, as of the end of our fieldwork, the bookkeeper had not yet recorded these adjusting journal entries to correct discrepancies for 2016. The bookkeeper told us that she did not record the entries because they would result in the manual cash ledgers not balancing; however, we reviewed the entries and found that the adjustments are necessary so that the Town's accounting records agree with the manual cash ledgers.

The Supervisor should maintain one set of cash ledgers and regularly perform bank reconciliations. If reconciliations had been performed properly and timely, missing and inaccurate entries would have been identified and corrections made in a timely manner.

### **The Supervisor Did Not Provide Adequate Oversight of the Bookkeeper**

The bookkeeper performed most of the Supervisor's financial duties. We found that the Supervisor did not develop a job description for the bookkeeper.

We also found that the bookkeeper had delegated her duties to her private accounting firm and her employees were performing bookkeeping duties on her behalf. For example, we noted several instances where her employees were signing off on bank reconciliations as completed and/or reviewed. Individuals who are not employed by the Town should not be preparing records and reports for the Town without a written contract in place for their services.

At the May 10, 2018 Board meeting, the Board accepted the bookkeeper's letter of resignation and authorized the Supervisor to sign a contract for bookkeeping services with her private accounting firm. We reviewed the contract and found that it does not include detail of the services to be performed by the accounting firm. Contracts should detail the specific services to be performed and the records to be maintained for Town officials to monitor compliance with the contract.

### **The Supervisor Did Not Provide Adequate Financial Reports to the Board**

The Supervisor did not provide the Board with adequate monthly financial reports to make sound financial decisions for the Town. The Supervisor provided the Board with non-payroll cash disbursement reports and payroll reports on a monthly basis and budget-to-actual reports during budget preparation. The Supervisor did not provide a detailed accounting of all money received, ending cash balances, or detailed budget-to-actual comparisons of revenues and expenditures for each fund each month.

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We also found that some of the Supervisor's reports were not up-to-date. For example, the Supervisor provided "fund balance projections" at the December 28, 2017 Board meeting for the highway funds and the two water funds (i.e., water districts).<sup>1</sup> We compared the projections to the Town's accounting records, and found that fund balance amounts were the balances as of December 31, 2016 and were not projected to year-end, 2017, despite the year being nearly complete as of the date of the meeting.

Due to the lack of timely and accurate records provided by the Supervisor, the Board was unable to properly assess the Town's financial condition. The Board appropriated fund balance of \$90,241 and \$75,726 in 2017 and 2018, respectively, in the general town-wide fund. The financial statements prepared by the CPA subsequent to the preparation of the 2017 budget showed that the general town-wide fund had a deficit of (\$86,345) in unassigned fund balance as of December 31, 2016; therefore the Board appropriated fund balance that did not exist. As of July 17, 2018, neither Town officials nor the CPA could provide preliminary financial information for December 31, 2017. However, upon reviewing the Town's unaudited financial records, we anticipate that the general town-wide fund's financial condition likely worsened.

Timely, sufficient and accurate accounting records are essential for the preparation of appropriate financial reports that help the Board monitor and manage financial operations and assess and make decisions regarding the Town's financial condition. The lack of timely and accurate financial information led to errors that went undetected and uncorrected, while also hampering the Board's ability to make sound financial decisions.

## **What Do We Recommend?**

The Supervisor should:

1. Ensure that financial records and reports are complete, accurate and up-to-date.
2. Maintain one set of cash ledgers.
3. Ensure bank reconciliations for all accounts are performed timely and properly.
4. Ensure adjusting journal entries are recorded in a timely manner.
5. Perform oversight of the bookkeeping service (i.e., accounting firm), and ensure the contract with the firm defines the services to be provided and the records to be maintained.

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<sup>1</sup> The main operating fund, the general town-wide fund and the general town-outside-village fund were excluded from this projection.

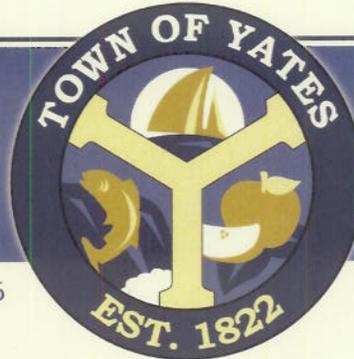
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6. Prepare monthly reports for the Board including detailed accounting of all money received and disbursed, cash balances and detailed year-to-date budget-to-actual comparisons of revenues and expenditures for each fund.
  7. Ensure fund balance projections for budgeting purposes use up-to-date financial information.

The Board should:

8. Address the financial condition problems affecting the general town-wide fund when adopting the 2019 budget.

## Appendix A: Response From Town Officials

**Town of Yates**  
Orleans County, New York



**Town Supervisor: Jim Simon**  
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TownOfYates.org

October 5, 2018

Office of the State Comptroller

I would like to thank the comptroller's office for the Draft Audit Report covering the period January 1, 2016 – July 17, 2018.

As a relatively new town supervisor, I appreciate the recommendations. I understand that the audit did not find any hint of misappropriated or missing funds, and that the town's overall financial condition is sound.

I recognize the importance of providing more comprehensive financial management, of ensuring better oversight of the bookkeeping function, and of developing a viable fund balance policy.

I have already implemented several of the audit recommendations by producing an expanded Supervisor's Monthly Report, eliminating the bookkeeper position in favor of a professional services contract, and drafting a fund balance policy to address the general town-wide fund.

I plan to provide the comptroller a complete Corrective Action Plan within 90 days of their final report.

The Town of Yates thanks the comptroller's office for their guidance.

Very Respectfully,

James Simon  
Supervisor

## Appendix B: Audit Methodology and Standards

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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 interviewed Town officials and employees to gain an understanding of Town processes and operations.
- We requested documentation from third-party vendors to confirm information provided by Town officials and employees.
- We reviewed the Board minutes and financial records for 2016, 2017 and 2018.
- We reviewed the audited financial statements for 2016 and compared amounts reported to the accounting records.
- We interviewed the Town's CPA to discuss discrepancies between the Town's accounting records and the audited financial statements for 2016.
- We performed bank reconciliations for all funds for 2016 and 2017. We identified which funds had discrepancies and assessed the possible causes for the discrepancies by discussing with the bookkeeper and comparing posted activity as listed in the general ledger activity reports with activity recorded in manual records.
- We reviewed the adjusting journal entries prepared by the CPA for 2016 and determined if the entries were recorded by the bookkeeper.
- We analyzed fund balance and compared budgeted revenues and expenditures to actual operating results for 2016 and 2017.
- We reviewed total annual revenues and expenditures and assessed the operating results for each fund.

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.

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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

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

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