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December 2019

Laura Smith, Supervisor
Members of the Town Board
Town of Carroll
5 Main Street
Carroll, NY 14738

Report Number: 2013M-221F

Dear Ms. Smith and Members of the Town Board:

One of the Office of the State Comptroller's (OSC) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage Town officials to reduce costs, improve service delivery and to account for and protect their Town's assets. In accordance with these objectives, we conducted an audit of the Town of Carroll (Town) to assess the maintenance of the Supervisor's records and reports and the Justice Court operations of the Town. As a result of our audit, we issued a report in March 2014, identifying certain conditions and opportunities for Town management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Town in October 2019 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Town personnel and inspection of certain documents related to the issues identified in our report. We limited our review to the Supervisor's records and reports section of our audit. Based on our limited procedures, it appears that the Town has made some progress implementing corrective action. Of the four audit recommendations, three recommendations were partially implemented and one recommendation was not implemented.

Recommendation 1 – Supervisor's Records

The Supervisor should ensure that the Town's accounting records are complete, accurate and maintained in a timely manner. If the Supervisor hires a bookkeeper or contracts with an independent public accountant (IPA) to perform these duties, he/she should ensure that the individual or IPA is qualified to accurately and adequately complete the tasks.

Status of Corrective Action: Partially Implemented

Observations/Findings: The former bookkeeper resigned from his position in December 2017 and the Board engaged an accounting firm in January 2018 to perform general bookkeeping services.

We reviewed various revenues and expenditures and supporting documentation as of September 30, 2019 and found that these transactions were properly recorded in the general ledger in a timely manner.¹ We assessed whether the September 2019 bank reconciliations were completed and supported recorded cash balances as of September 30, 2019. In addition, we reviewed the reasonableness of certain receivable accounts reported as of December 31, 2018. However, we found that the Supervisor was not performing an adequate review of the firm's work to ensure that records and reports were accurate.

We discussed oversight procedures with the Supervisor and she told us that she limits her review of the firm's work to verifying that monthly deposits from various reports (e.g., the Town Clerk's monthly report) agreed with bank deposits. She did not review the bank reconciliations or accounting entries prepared by the firm. We compared metered water sales to billing registers and found that the firm made an adjusting entry to reduce the metered water sales account by \$887 in August 2019. Town officials were unaware of this adjustment or why it was necessary.

Without adequate oversight, officials cannot be certain that the accounting records are accurate or that adjusting entries are supported and for valid purposes.

Recommendation 2 – Supervisor's Annual Reports

The Supervisor should submit accurate annual update documents (AUDs), which are annual financial reports, to OSC in a timely manner and ensure that the AUDs are fully supported by the accounting records.

Status of Corrective Action: Not Implemented

Observations/Findings: The Town's corrective action plan, filed in May 2014, included directing the prior bookkeeper to correct and file all AUDs from 2010 forward. As of January 1, 2018, the Town contracted with the firm to file the AUDs.

The 2013 through 2016 AUDs were not filed in a timely manner. The 2013 AUD was filed in February 2016, the 2014 AUD was filed in April 2017, the 2015 AUD was filed in December 2017 and the 2016 AUD was filed in July 2019. The 2017 and 2018 AUDs have still not been filed as of December 5, 2019. The Supervisor told us that additional work was performed on the 2016

¹ Revenues reviewed included, but were not limited to, fines, real property taxes, building permits and water rents. Some supporting documentation reviewed included monthly Justice Court reports, the 2019 tax warrant, daily/monthly water rent cash collection reports and water billing registers. For the expenditures reviewed, we confirmed that the amounts listed on the general, highway and water fund abstracts (i.e., list of audited claims) approved in the Board minutes agreed with the abstracts on file and traced a sample of expenditures to corresponding invoices. We also confirmed that the recorded payroll expenditures as of September 2019, for five individuals, agreed with Board-adopted rates and approved payroll schedules.

records before filing the AUD and she anticipates a similar situation for the 2017 records but this work has yet to be performed.

Recommendation 3 – Supervisor’s Monthly Reports

The Supervisor must provide the Board with a monthly Supervisor’s report that includes an accounting of all cash receipts and disbursements. Also, the Supervisor should consider including cash balances and budget-to-actual updates for all funds.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the Supervisor’s monthly report for August 31, 2019 and verified that it included a budget-to-actual comparison and a summary of cash and investment balances. However, the report only included a summary of year-to-date revenues and expenditures and did not show the detailed money received and disbursed during the month as required by New York State Town Law.²

Recommendation 4 – Board Audits

The Board should conduct a comprehensive annual audit of the financial records of all officers who receive or disburse Town funds and document the results of its audit in the minutes of its proceedings. To assist in the performance of its audit function, the Board should review OSC’s publication entitled *Fiscal Oversight Responsibilities of the Governing Board*.³

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed Board minutes from January 2017 through September 2019, interviewed Board members, who indicated they performed annual audits, and searched for evidence that audits were performed from 2016 through 2018. We found that audits for the Town Justices’ and Town Clerk’s records were completed for all these years and the Supervisor’s records were audited in 2016 and 2017.⁴

The October 2017 and December 2017 Board minutes indicated that the 2016 records for the Town Clerk and Town Justices were audited and reports were provided. However, for the remainder of the audits conducted, we found no indication that the results were documented in the minutes.⁵ Although one Board member indicated that he used the OSC audit checklists,⁶ we found no documentation on file to show that the checklists were used or what records were reviewed.

2 New York State Town Law, Section 125(2)

3 Our publication *Fiscal Oversight Responsibilities of the Governing Board* is available on our website: www.osc.state.ny.us/localgov/pubs/lmg/fiscal_oversight.pdf.

4 We did not see a Board-signed statement for the Supervisor’s records from 2017 but the Board minutes indicated that the Board planned to audit them.

5 The May 9, 2018 Board minutes indicated that the Supervisor stated “the books have been reviewed for 2017.”

6 Contained in our *Fiscal Oversight Responsibilities of the Governing Board* publication

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Town officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Jeffrey D. Mazula, Chief Examiner of our Buffalo Regional Office at (716) 847-3647.

Sincerely,

Elliott Auerbach
Deputy Comptroller