



Town of Bradford Financial Management

Report of Examination

Period Covered:

January 1, 2014 — August 4, 2015

2015M-239



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2016

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Bradford, entitled Financial Management. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Bradford (Town) is located in Steuben County, covers 25 square miles and serves approximately 850 residents. The Town provides services for its residents including highway maintenance, snow removal, code enforcement, fire protection and general government support. The Town's total budgeted appropriations for 2015 were \$737,128, funded primarily with real property taxes, sales tax and State aid.

The Town is governed by an elected Town Board (Board) composed of four Board members and a Supervisor. The Board is responsible for the general management and control of the Town's financial affairs. The Supervisor serves as the chief executive officer and chief fiscal officer (CFO). As CFO, the Supervisor is responsible for receiving, disbursing and maintaining custody of Town money, maintaining accounting records and providing financial reports to the Board. The Supervisor also serves as the Town's budget officer.

The Town Highway Superintendent (Superintendent) is an elected official primarily responsible for the maintenance and repair of Town roads, as well as snow and brush removal. The Superintendent is also responsible for maintaining inventories, such as fuel and equipment, which are purchased for use by the highway department.

Scope and Objective

The objective of our audit was to review the Town's financial operations for the period January 1, 2014 through August 4, 2015. We extended our scope back to January 1, 2012 to review budget and fund balance trends and back to January 2011 to review gasoline and fuel purchases. Our audit addressed the following related questions:

- Did Town officials provide adequate oversight of the Town's finances?
- Did Town officials properly safeguard highway department assets?

Audit Results

The Town has accumulated excessive funds in the general and highway funds; fund balance has grown by 24 percent since January 1, 2012. From fiscal years 2012 through 2014, the Board underestimated revenues between 3 and 10 percent and overestimated expenditures between 15 and 37 percent, which created operating surpluses in each of those years. As a result of operating surpluses, the Town has not used appropriated fund balance as an actual financing source. When unused appropriated fund balance

was added back, the Town's fund balance was 84 and 74 percent of the ensuing year's appropriations in fiscal years 2012 and 2013, respectively. The Board also included a \$10,000 provision in the general fund for other budgetary provisions in each of the three years that it did not use, which raised unnecessary taxes and added to the already excessive unrestricted fund balance.

The Board-adopted 2015 budget slightly decreased appropriations in the general fund by \$3,308 or 1 percent. However, the budget increased appropriations in the highway fund by \$54,000, or 14 percent. The Board also appropriated \$197,325 of fund balance to help fund 2015 operations, but we only expect \$40,000 (20 percent) will be used. As a result, we anticipate the trend of increasing fund balances will likely continue and taxpayers will again pay more than necessary to sustain Town operations.

The Board has not adopted a multiyear financial plan for the use of the Town's excess fund balance. The Supervisor has not maintained accurate and up-to-date accounting records since December 2014, which severely diminished the Board's ability to provide fiscal oversight. Further, the Board did not perform an effective audit of claims to ensure that purchases were made for Town purposes. The Board did not approve three of 19 general fund abstracts totaling \$29,630 and two of 16 highway fund abstracts totaling \$22,634. Finally, the Board did not perform an annual audit of the books and records of Town officials and employees who received or disbursed money in 2014, which increases the risk that discrepancies will not be identified and corrected.

The Board and Superintendent have not provided adequate oversight to safeguard highway department assets. There have been two known thefts of gasoline since 2012. The Board told the Superintendent to replace the locks after the second theft in December 2014, but he did not do so. Further, he did not maintain a perpetual fuel inventory to detect any fuel variances. We performed our own trend analysis of fuel purchases from 2011 through 2014 and found fluctuations to indicate additional thefts had occurred.

The Superintendent was solely responsible for maintaining the highway equipment inventory and did not maintain adequate inventory records. While the Superintendent provides the Board with an annual listing of highway capital assets, there was no evidence that Town officials conducted a physical inventory to verify its completeness or accuracy. The Superintendent also sold equipment at auction with his own personal items. Due to the lack of controls over highway assets, the risk is increased that they could be lost, stolen or sold without detection.

Comments of Local Officials

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they have begun to initiate corrective action.

Introduction

Background

The Town of Bradford (Town) is located in Steuben County, covers 25 square miles and serves approximately 850 residents. The Town provides services for its residents including highway maintenance, snow removal, code enforcement, fire protection and general government support. The Town's total budgeted appropriations for 2015 are \$737,128, funded primarily with real property taxes, sales tax and State aid.

The Town is governed by an elected Town Board (Board) composed of four Board members and a Supervisor. The Board is responsible for the general management and control of the Town's financial affairs. The Supervisor serves as the chief executive officer and chief fiscal officer (CFO). As CFO, the Supervisor is responsible for receiving, disbursing and maintaining custody of Town money, maintaining accounting records and providing financial reports to the Board. The Supervisor also serves as the Town's budget officer.

The Town Highway Superintendent (Superintendent) is an elected official primarily responsible for the maintenance and repair of Town roads, as well as snow and brush removal. The Superintendent is also responsible for maintaining inventories, such as fuel and equipment, which are purchased for use by the highway department.

Objective

The objective of our audit was to review the Town's financial operations. Our audit addressed the following related questions:

- Did Town officials provide adequate oversight of the Town's finances?
- Did Town officials properly safeguard highway department assets?

Scope and Methodology

We examined the Town's financial records for the period January 1, 2014 through August 4, 2015. We extended our scope back to January 1, 2012 to review budget and fund balance trends and back to January 2011 to review gasoline and fuel purchases.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they have begun to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

Financial Management

The Board is responsible for the Town's financial oversight. The Board must adopt structurally balanced budgets for all operating funds that provide for sufficient revenues to finance recurring expenditures while providing desired services on a continuing basis. Monitoring the budget against actual results of operations during the year is a critical part of the Board's budgeting responsibilities. In addition, Town officials should develop detailed multiyear plans to identify developing revenue and expenditure trends, set long-term priorities and goals and avoid large fluctuations in tax rates. The Supervisor, as chief fiscal officer, is responsible for maintaining accounting records and reports. These records and reports must be up-to-date, complete and accurate to be relevant and useful for managing Town operations and evaluating the Town's financial condition.

In addition, the Board is required by law to audit and approve all claims against the Town before the Supervisor pays them. To properly approve claims for payment, the Board must ensure that all claims contain sufficient documentation to determine the nature of the purchase, whether the amounts represent actual and necessary Town expenses and whether the purchases comply with statutory requirements and Town policies. An annual audit helps the Board fulfill its fiscal oversight responsibilities by providing an opportunity to assess the reliability and timeliness of the books, records and supporting documents.

The Town has accumulated excessive funds in the general and highway funds; fund balance has grown by 24 percent since January 1, 2012. As a result of operating surpluses, the Town has not used appropriated fund balance as an actual financing source. When unused appropriated fund balance was added back, the Town's fund balance was 84 and 74 percent of the ensuing year's appropriations in fiscal years 2012 and 2013, respectively. By not using these resources to fund operations, Town officials have levied higher property taxes than necessary. In addition, the Board has not adopted a multiyear financial plan for the use of the Town's excess fund balance. The Supervisor has not maintained accurate and up-to-date accounting records since December 2014, which severely diminished the Board's ability to provide fiscal oversight. Further, the Board did not perform an effective audit of claims and has not performed an annual audit of the books and records of Town officials and employees who received or disbursed money in 2014.

Budgeting and Fund Balance

Fund balance represents moneys accumulated from prior fiscal years. Town officials can legally set aside or reserve portions of fund balance to finance future costs for a specified purpose. Town officials may also designate a portion of fund balance to help finance the next year's budget (i.e., appropriated fund balance). In addition, the Town may retain a reasonable portion of fund balance, referred to as unrestricted fund balance, to use as a financial cushion in the event of unforeseen financial circumstances. Each town needs to assess what is reasonable for its particular situation by considering various factors such as timing of receipts and disbursements, volatility of revenues and expenditures, and contingency appropriations.

If fund balance is kept at excessively high levels, funds that could benefit the Town are not being used, thereby placing an unnecessary burden on the taxpayers. Best practices provide that the Board adopt policies and procedures to govern the level of unrestricted fund balance to be maintained in each fund.

The Board has not adopted policies and procedures to govern the level of unrestricted funds to be maintained. As a result, the Town has accumulated excessive funds in the general and highway funds. Because the general and highway funds cover the entire Town and have the same tax base, they can be considered on a combined basis to assess financial condition,¹ as shown in Figure 1.

Figure 1: General and Highway Funds – Operating Results and Fund Balance			
	2012	2013	2014
Beginning Fund Balance	\$429,319	\$460,334 ^a	\$462,045 ^b
Operating Surplus	\$31,010	\$1,709	\$71,184
Ending Fund Balance	\$460,329	\$462,043	\$533,229
Less: Appropriated Fund Balance	\$116,703	\$146,283	\$197,325
Unrestricted Fund Balance	\$343,626	\$315,760	\$335,904
Ending Fund Balance as a Percentage of the Next Year's Appropriations	85%	74%	79%
Unrestricted Fund Balance as a Percentage of the Next Year's Appropriations	63%	50%	50%
Unused Appropriated Fund Balance	\$114,864 ^c	\$146,283	N/A
Total Excessive Fund Balance as a Percentage of the Next Year's Appropriations	84%	74%	N/A
^a \$5 prior period adjustment ^b \$2 prior period adjustment ^c The highway fund incurred an \$1,839 deficit in 2013.			

¹ The Board may, by resolution, authorize the transfer of surplus money from the general fund to the highway fund, within the same tax base. However, the Board cannot transfer money from the highway fund to the general fund.

Although the Board has appropriated substantial fund balance in each of the last three years, fund balance has grown by 24 percent since January 1, 2012. As a result of operating surpluses, the Town has not used fund balance as an actual financing source. When unused appropriated fund balance was added back, the Town's fund balance ranged between 74 and 84 percent of the ensuing year's appropriations. By not using these resources to fund operations, Town officials have levied higher property taxes than necessary. Figure 2 summarizes the actual results compared with the budget estimates.

Figure 2: General and Highway Funds Budget-to-Actual Analysis				
	2012	2013	2014	Total
Estimated Revenues	\$459,511	\$427,962	\$440,487 ^a	\$1,327,960
Actual Revenues	\$506,568	\$476,385	\$453,402	\$1,436,355
Variance	\$47,057	\$48,423	\$12,915	\$108,395
Variance as a Percentage of Actual	9%	10%	3%	8%
Appropriations	\$547,397	\$544,665	\$524,780 ^a	\$1,616,842
Actual Expenditures	\$475,558	\$474,675	\$382,218	\$1,332,451
Variance	\$71,839	\$69,990	\$142,562	\$284,391
Variance as a Percentage of Actual	15%	15%	37%	21%
Total Variance	\$118,896	\$118,413	\$155,477	\$392,786
^a These figures have been adjusted to reflect the deferral to 2015 of the planned purchase of a highway loader. Estimated revenues were reduced by \$40,000 and appropriations by \$101,990.				

From fiscal years 2012 through 2014, consistently positive budget variances have resulted in the Town accumulating funds in excess of its needs. During this time, total revenues were underestimated between 3 and 10 percent. For example, the Board underestimated State aid in the highway fund by a total of \$18,971, or 15 percent, in 2013 and 2014. The Board did not include estimates for Justice Court grant revenues in 2014 but actually received \$20,000. The Board had information, including State aid estimates and grant contracts, that it could have used to more accurately estimate these revenues.

The Board also overestimated expenditures by \$284,000 (21 percent) for the three years. Specifically, the Board significantly overestimated expenditures for building contractual expenditures in 2013 and 2014 by a total of \$86,319, or 62 percent. This was caused by a significant increase and overappropriation for a building renovation in 2013 that totaled \$36,100. The Board did not reduce the appropriation in 2014 following the renovation's completion. The Board also overestimated street maintenance, machinery and snow removal expenses by a total of \$47,815, or 24 percent, in 2012 and machinery expenses in 2013 and 2014 in the highway fund by a total of \$175,762, or 65 percent.

Moreover, the Board included a \$10,000 provision in the general fund for other budgetary provisions in each of the three years without establishing formal reserves. Other budgetary provisions are used to levy taxes for purposes other than current operations, such as to fund a reserve or to redeem a current liability like a budget note. In this instance, including other budgetary provisions but not using them raised unnecessary taxes and resulted in adding to the already excessive unrestricted fund balance.

The Board-adopted 2015 budget slightly decreased appropriations in the general fund by \$3,308, or 1 percent. However, the budget increased appropriations in the highway fund by \$54,000, or 14 percent, for the purchase of equipment that did not occur in 2014. The Board also appropriated \$197,325 of fund balance to help fund 2015 operations, but we expect only \$40,000 (20 percent) will be used to purchase a loader that did not occur in 2014. As a result, we anticipate the trend of increasing fund balances will likely continue and taxpayers will again pay more than necessary to sustain Town operations.

Multiyear Financial Planning

Multiyear financial planning is a tool Town officials can use to improve the budget development process. It is important for Town officials to develop comprehensive multiyear financial and capital plans to estimate the future costs of ongoing services and capital needs.² Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period. Such plans also enable Town officials to identify developing revenue and expenditure trends, set long-term priorities and goals, consider the impact of near-term budgeting decisions on future fiscal years and avoid large fluctuations in tax rates.

Multiyear plans also allow Town officials to assess the effect and merits of alternative approaches to address financial issues, such as using fund balance to finance operations and accumulating money in reserve funds. Long-term financial plans work in conjunction with Board-adopted policies and procedures to provide necessary guidance to employees on the financial priorities and goals set by the Board. Any long-term financial plan must be monitored and updated on a continuing basis to provide a reliable framework for preparing budgets and to ensure that information used to guide decisions is current and accurate.

The Board has not developed a written multiyear financial plan. It is evident that, without this plan, the Board has not established any

² Guidance is available in the Office of the State Comptroller publication titled *Local Government Management Guide, Multiyear Financial Planning* at <http://www.osc.state.ny.us/localgov/pubs/lmgm/multiyear.pdf>.

reserves for the Town's future needs. Because the Board has not developed such a plan that includes specific estimates for revenues, expenditures, reserves and fund balance, the ability to effectively manage Town finances is inhibited.

Financial Records

New York State Town Law (Town Law) requires the Supervisor to maintain complete and accurate accounting records that are open and available for public inspection at all reasonable times. As the Town's chief fiscal officer, the Supervisor must maintain accurate and timely accounting records. The Board needs complete, accurate and current financial information to effectively monitor the Town's financial operations. Without these records, the public cannot be informed of the Town's financial condition or assess the Board's financial decisions.

As of August 4, 2015, the Supervisor had not produced accounting records for the 2015 fiscal year. As a result, the Supervisor did not submit a monthly report to the Board of all money received and disbursed during the month as required by Town Law. Further, bank accounts could not be reconciled, and errors or irregularities in the Town's financial transactions could not be readily identified.

Because of the lack of 2015 accounting records, we reviewed and traced deposits totaling \$418,749 to monthly departmental reports and the tax warrants, traced bank transfers and reviewed bank statements and check images through June 30, 2015. We did not identify any material discrepancies or unusual transactions for the period.

The Supervisor's failure to adequately maintain the Town's accounting records and provide the Board with timely financial information severely diminished the Board's ability to make financial decisions. As a result, the Board was unable to adequately monitor the budget and perform budget modifications when necessary. Lack of accurate, timely accounting records ultimately increases the risk that appropriations could be overspent or errors and irregularities could occur that remain undetected and uncorrected. In addition, the lack of records inhibits transparency and public accountability.

Claims Audit

The Board is responsible for auditing and approving claims and establishing internal controls over the claims auditing process. The claims auditing process should be deliberate and thorough, ensure that each claim contains sufficient supporting documentation to verify compliance with Board-adopted policies and statutory requirements and ensure that the amounts claimed represent proper Town expenditures. The Board must adopt a resolution approving the Board-audited claims for payment, and all approved claims should be

listed on an abstract. The abstract should specifically state the number and amount of claims that the Supervisor is authorized to pay.

The Board stated that the Supervisor provided it with an abstract which listed the bills to be paid. Board members reviewed and signed off on the abstract and then approved the items listed for payment in the Board minutes. However, the Board does not receive supporting documentation for claims unless it has questions about an individual claim, which increases the risk that the Town could pay for inappropriate claims. We reviewed 19 general fund abstracts totaling \$244,236 and found that the Board did not approve three abstracts totaling \$29,630. We also reviewed 16 highway fund abstracts totaling \$271,289 and found that the Board did not approve two abstracts totaling \$22,634.

The Board did not ensure that detailed claims audit procedures were in place and did not perform a proper and thorough audit of claims prior to their payment. This increases the risk that payments could be made that are not for proper Town purposes.³

Annual Audit

Town Law requires the Board to conduct or obtain an annual audit of the books and records of any Town officer or employee who received or disbursed any money in the previous year.⁴ An annual audit helps the Board fulfill its fiscal oversight responsibilities, provides assurance that public money is handled properly and assesses the reliability of the Town's books, records and supporting documents on which it relies in making management decisions.⁵ Audit results can also help the Board evaluate fiscal practices and monitor the performance of the Supervisor and other officials who are entrusted with recordkeeping and other financial responsibilities. While the Board is required to audit the Town's records at least annually, because of the Supervisor's recordkeeping issues previously identified, monitoring the Town's financial activities more frequently can help reduce the risk that errors or irregularities could occur and go undetected.

The Board has not performed an annual audit of the books and records of any Town official or employee who received or disbursed cash in

³ For additional guidance on auditing claims, Board members should refer to our publication titled *Local Government Management Guide – Improving the Effectiveness of Your Claims Auditing Process* at <http://www.osc.state.ny.us/localgov/pubs/lgmng/claimsauditing.pdf>.

⁴ The Board may either perform the annual audit or engage the services of a certified public accountant or of a public accountant to perform this function within 20 days of the close of the fiscal year.

⁵ Guidance is available in the OSC publication titled *Fiscal Oversight Responsibilities of the Governing Board* at http://www.osc.state.ny.us/localgov/pubs/lgmng/fiscal_oversight.pdf.

2014. Therefore, the Board's ability to monitor the Town's financial operations was severely diminished and errors or irregularities could have occurred and remained undetected and uncorrected.

Recommendations

The Board should:

1. Implement fiscal policies to govern its budgeting practices and financial operations.
2. Consider attending training to assist with the budgeting and monitoring process.⁶
3. Ensure the Supervisor provides the required monthly financial reports and budget status reports.
4. Develop a comprehensive multiyear financial plan to establish long-term objectives for funding long-term needs.
5. Ensure a proper audit of all claims including reviewing supporting documentation.
6. Annually audit or cause the audit of the books and records of all Town officers and employees who receive or disburse funds on behalf of the Town within 20 days of the close of the fiscal year.⁷

The Supervisor should:

7. Ensure that the Town's accounting records are complete, accurate and maintained in a timely manner.
8. Prepare and provide the Board with monthly financial reports that detail all money received and disbursed, compare actual revenues and expenditures with the related budget and include reconciled cash balances.

⁶ For guidance on budgeting, Town officials should refer to the OSC publication titled *Understanding the Budget Process*, which is available at: <http://www.osc.state.ny.us/localgov/pubs/lgmng/budgetprocess.pdf>.

⁷ For guidance on conducting annual audits, Town officials should refer to the OSC publication titled *Fiscal Oversight Responsibilities of the Governing Board*, which is available at: http://www.osc.state.ny.us/localgov/pubs/lgmng/fiscal_oversight.pdf.

Highway Department

The Board and the Superintendent have a shared responsibility for instituting internal controls over asset management in the highway department. Town Law provides the Board with general management and control of the Town's finances and assets. New York State Highway Law (Highway Law) gives the Superintendent express statutory responsibilities with respect to Town highway personnel and the use of Town highway equipment, such as producing an inventory of equipment and seeking Board approval before disposing of equipment.

The Board and Superintendent have not provided adequate oversight to safeguard highway department assets. There have been two known thefts of gasoline since 2012. The Board told the Superintendent to replace the locks after the second theft in December 2014, but he did not do so. Further, he did not maintain a perpetual fuel inventory to detect any fuel variances. We performed our own trend analysis of fuel purchases from 2011 through 2014 and found fluctuations to indicate additional thefts had occurred. In addition, the Superintendent was solely responsible for maintaining the highway equipment inventory and did not maintain adequate inventory records. He also sold equipment at auction with his own personal items. Due to the lack of controls over highway assets, the risk is increased that they could be lost, stolen or sold without detection.

Fuel Inventories

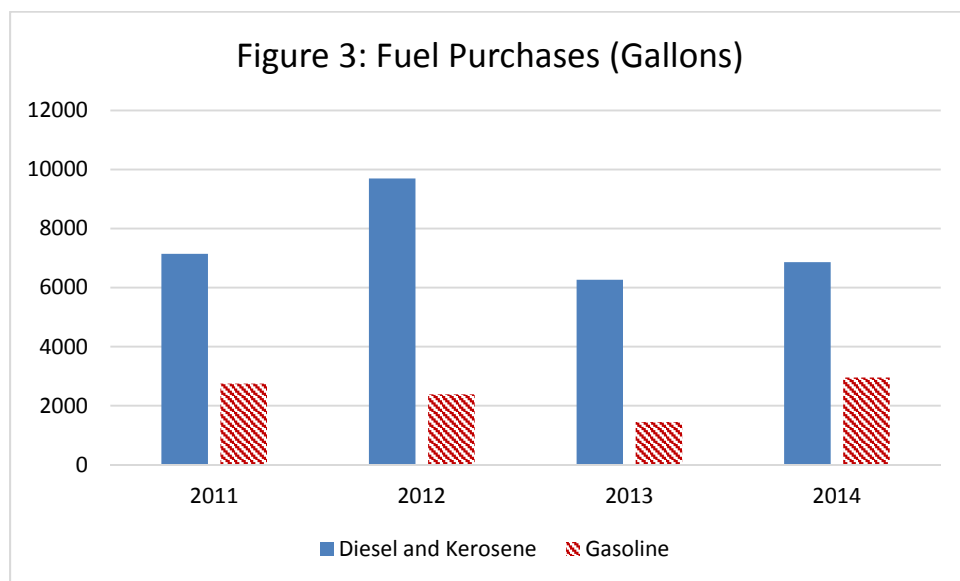
The Superintendent is responsible for ensuring that fuel supplies are adequately safeguarded, accounted for and protected against the risk of loss, waste and unauthorized use. To accomplish this, perpetual inventory records should be maintained to account for the amount of fuel purchased, the quantity dispensed and the balance remaining in the tank. The fuel balances in the perpetual records should be periodically reconciled to physical inventories, and material discrepancies should be investigated and resolved. It is also important for Town officials to review fuel records to determine if use is reasonable, ensure that all fuel can be accounted for and ensure that fuel is used only for Town purposes. Such controls are especially important because these are attractive assets to misappropriate for personal use in vehicles or, in the case of diesel fuel, for home heating.

The Town maintains two above-ground fuel storage tanks: a diesel tank with a capacity of 1,000 gallons and a gasoline tank with a capacity of 500 gallons. The Superintendent did not ensure that fuel supplies were adequately safeguarded and accounted for. The Superintendent did not maintain fuel logs showing when and how much fuel was

dispensed and by whom. Further, the Superintendent did not maintain perpetual inventory records to account for the amount of fuel that should be in the storage tanks at any given time and did not compare actual fuel on hand to the inventory records to ensure all fuel was accounted for.

There have been two known gasoline thefts within the last four years. After the first theft in December 2012, the Board had security cameras installed at the highway barn and required the gas and fuel pump switches to be shut off when not in use. The second theft occurred in December 2014 and was recorded by the security cameras. Because the thief appeared to have a key to the highway barn, the Board told the Superintendent to immediately replace the locks. The Board also requested the Superintendent to maintain a perpetual inventory and perform a physical inventory weekly by sticking the tanks. However, the Superintendent had not changed the locks as of August 2015 and had not instituted a perpetual fuel inventory log.

Because of the continued lack of controls, we performed a trend analysis of fuel purchases and found significant fluctuations in the number of gallons purchased from 2011 through 2014 that could be indicative of additional thefts, as seen in Figure 3.



After the theft was discovered in 2012, the purchases of both diesel and gasoline fell by approximately 40 percent in 2013. However, in 2014, when a theft was discovered at year-end, gasoline purchases were more than twice those of 2013 and diesel purchases increased 9 percent. We analyzed gasoline purchases through April 2015 and found that 2015 purchases exceeded 2014 purchases by 46 percent, a red flag that the misappropriation is likely continuing.

Another indication of possible continued misappropriation is the Town's limited need for gasoline. The Town has only one gasoline-powered vehicle: a pickup truck. The Town's only other use for gasoline is for small tools including lawn trimmers, chainsaws and mowers. We performed a check of vehicle mileage on June 18, 2015 and found the pickup truck, which was purchased new in January 2014, had a mileage of 17,690. Using this mileage for a year and a half of use and a conservative range of 15 miles per gallon, the Town should have only consumed 1,200 gallons of gasoline in 2014; however, it actually used 2,957 gallons.

The lack of controls over fuel inventories increases the risk of continued abuse.

Highway Equipment Inventory Controls

Highway Law requires the Superintendent to annually submit a written inventory of highway machinery, tools, implements and equipment to the Board on or before September 30. This list should indicate the value of each article and the estimated cost of all necessary repairs. At this time, the Superintendent should also file written recommendations as to what machinery, tools, implements and equipment should be purchased for use and their probable cost. The submission of the inventory and recommendations allows the Board to take these considerations into account when preparing the annual budget. Highway Law only allows the Superintendent to dispose of surplus highway equipment after the Board approves the disposal.

While the Superintendent provides the Board with an annual listing of highway capital assets, these listings were not readily available. On July 28, 2015, the Supervisor located inventory listings from November 2010 and October 2013. On August 4, 2015, the Superintendent provided an inventory listing for 2015 that he updated in June. Further, there was no evidence that Town officials conducted a physical inventory to verify the listings were accurate or complete. We performed a physical inventory on August 4, 2015 and were able to locate a majority of items. However, the Superintendent told us that there were still some items located in the former highway barn⁸ and other items were scrapped. The Superintendent had not updated the inventory lists to reflect these changes.

Although the Board minutes noted that the Superintendent was going to dispose of some equipment at auction, this was an ineffective control because there was no listing of items authorized to be sold. This created confusion because the Superintendent sold both personal and Town items at the auction and it appeared that assets were commingled.

⁸ The Superintendent purchased and took possession of the former highway barn in June 2015.

For example, the Superintendent listed nine highway-related items⁹ for sale during the April 2015 internet auction with his name and cell phone number to contact for more information. Although four¹⁰ of the nine items also included the Town in the listing, the auction proceeds totaling \$8,840 received and deposited in July 2015 by the Supervisor only listed three items sold by the Town. It appears that the fourth item¹¹ totaling \$780 was not a Town asset as originally listed, but the Superintendent's personal asset.¹²

Due to the lack of records and because the Superintendent is solely responsible for the purchase, safeguarding, recording, reporting and disposal of highway equipment with minimal oversight, there is a significant risk that assets could be lost, stolen or sold without detection.

Recommendations

The Board should:

9. Implement policies and procedures to adequately account for, safeguard and dispose of highway department capital assets and consumable inventories.

The Superintendent should:

10. Maintain complete, accurate and up-to-date fuel inventory records.
11. Physically secure highway assets by changing the locks at the highway barn.
12. Maintain complete, accurate and up-to-date capital asset records.

⁹ The nine items included a 1998 Freightliner FL-80 S/A plow/dump truck, Yanmar VIO50 mini excavator, John Deere 420 2WD tractor, precision solar controls trailer mounted message board, Galion S 10-14A double drum static roller, Surge PTO generator, 1000 gallon poly tank with valve, 13' Harder slide-in sander and Berry trailer mounted crack filler.

¹⁰ Freightliner, tank, sander and trailer mounted crack filler

¹¹ Berry trailer mounted crack filler

¹² At the exit conference, Town officials provided an invoice that showed the Superintendent's personal purchase of the fourth item.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF BRADFORD
7625 County Route 20
Bradford, NY 14815

February 18, 2016

Dear State of New York Audit Response:

The Town of Bradford has received and reviewed the draft report of examinations recommendations. The recommendation with in the report will be addressed with a view of greater scrutiny and oversight. Responsibility will be taken by appropriate governing body.

The Town Officials have already addresses some of the recommendations:

- 1) We have performed the annual audit for 2015 books.
- 2) We have adopted a policy for submitting bills on a monthly bases for approval.
- 3) The Supervisor is going to give financial reports monthly instead of quarterly.
- 4) The Supervisor has accounting records complete and up to date.
- 5) We are currently working on a fuel inventory records.
- 6) The locks have been changed at the highway barn.

The CAP is in process for submission with in 90 days.

Sincerely,

Kathleen Sleve
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the Town's financial operations for the period January 1, 2014 through August 4, 2015. We extended our scope back to January 1, 2012 to review budget and fund balance trends and back to January 2011 to review gasoline and fuel purchases. To achieve our objective and obtain valid audit evidence, we performed the following steps:

- We interviewed Town officials and employees to gain an understanding of Town financial operations and the budget process.
- We performed an analysis of fund balance for 2012 through 2014 to determine if amounts appeared reasonable.
- We reviewed the Board-adopted budgets for 2012 through 2015 to determine the amount of fund balance appropriated.
- We reviewed the Town's budget-to-actual results for 2012 through 2014 to identify significant variances and budgeting trends.
- We reviewed Board minutes and resolutions regarding financial decisions and budget modifications.
- We verified adjusted cash balances, assets and liabilities and fund balance for December 2014 to determine data reliability.
- We reviewed bank statements and check images from January 2014 through May 2015.
- We reviewed interfund advances and transfers for 2012 through 2014.
- We reviewed the last three filed AUDs to determine timeliness.
- We reviewed abstracts for January 2014 through May 2015 totaling \$515,525.
- We reviewed highway inventory purchases and sales for the scope period and performed an inventory check on August 4, 2015.
- We performed an analysis of fuel and gasoline purchases from January 2011 through April 2015.

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

APPENDIX C

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