



Town of Pittsfield

Disbursements

Report of Examination

Period Covered:

January 1, 2011 — December 19, 2012

2013M-82



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2013

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 Pittsfield, entitled Disbursements. 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 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*

Introduction

Background

The Town of Pittsfield (Town) is located in Otsego County and has a population of approximately 1,370 residents. The Town is governed by an elected five-member Town Board (Board), which includes the Town Supervisor (Supervisor). The Board is responsible for the general oversight and control of the Town's operations and finances. The Supervisor,¹ as the chief fiscal officer, is responsible for maintaining accounting records and providing monthly reports to the Board.

The Town provides various services to its residents, including street maintenance, snow removal, and general governmental support. It also co-operates a transfer station with the Town of Burlington. The general and highway funds' adopted budgets for the 2013 fiscal year are \$173,604 and \$383,966, respectively, which are funded mainly through real property taxes, sales tax and State aid.

Objective

The objective of our audit was to determine whether the Board properly monitored the Town's disbursements. Our audit addressed the following related question:

- Did the Board ensure that all disbursements were for proper purposes?

Scope and Methodology

We examined the Town's disbursements for the period January 1, 2011, to December 19, 2012.

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.

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 planned 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

¹ The current Supervisor took office in August 2012.

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.

Disbursements

The Board is responsible for the Town's financial well-being by ensuring that all money disbursed is for proper Town purposes. These responsibilities include designing internal controls so duties are assigned to ensure that no one individual performs all of certain key functions, such as cash disbursements. The Board is also required to annually audit, or provide for the audit of, the records and reports of any Town officer or employee who received or disbursed moneys on behalf of the Town in the preceding fiscal year. The Supervisor, as the Town's chief financial officer, is responsible for making payment for all items listed on the warrants after the Board audits and approves them for payment.

We performed certain tests to ensure that 35 non-payroll disbursements totaling \$66,400 were properly approved and legitimate Town expenditures and found 17 discrepancies totaling \$8,450. Specifically, 10 checks totaling approximately \$6,900 were never approved by the Board.

We also tested 21 payroll disbursements totaling a gross amount of \$13,600 to ensure that they were made for proper purposes and identified four employees – who received gross pay totaling \$886 – that did not have an approved timesheet on file to verify that they were paid for hours actually worked. Additionally, we found no evidence that the Board approved the pay rates of the three transfer station employees, who were paid a gross amount of \$17,370 during our audit period. Moreover, we found that the Highway Superintendent was underpaid by a total of more than \$2,300² for his health insurance buy-out in the 2011 and 2012 fiscal years.

These discrepancies occurred because the Board did not provide adequate oversight of disbursements and did not provide for a detailed audit of the Supervisor's records for the 2011 fiscal year. The current and former Supervisor completed all of the Town's cash disbursements duties without compensating controls, such as having another individual review their work. As such, these errors were not detected or corrected.

The current Supervisor has taken action to address some of these deficiencies; as of August 2012, the Supervisor has implemented the use of time cards for transfer station employees. When the

² In 2006, the Board approved paying the Highway Superintendent 50 percent of the annual individual premium for a health insurance buy-out.

Supervisor took office in August 2012, she also realized the need for a more comprehensive Board audit; for the 2012 fiscal year the Board documented a more comprehensive review through the use of a checklist. We commend the Supervisor for taking steps to improve the quality of the annual audit and addressing certain payroll deficiencies.

Recommendations

1. The Board should periodically compare the approved warrants with the canceled check images, as shown on the bank statements, and review the bank reconciliations.
2. The Board should thoroughly document its annual audit process in the Board minutes and continue its use of the audit checklist.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

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June 3, 2013

Office of the State Comptroller
Attention: H. Todd Eames
State Office Building, Room 1702
44 Hawley Street
Binghamton, N.Y. 13901.4417

RE: Town of Pittsfield
Report of Examination

Dear Mr. Eames:

On behalf of the Town, I wish to express its appreciation for the professionalism and guidance provided throughout the field audit phase of the examination as well as her thoughtful comments rendered at the exit discussion.

The draft findings have been discussed with two of the board members and although the board is given copies of the bank reconciliations along with the revenue and expense reports monthly, they are not given copies of the cancelled checks to compare to the warrant. This, will in the future be done periodically.

The annual audit by the board of all persons who receives and disburses money on behalf of the Town will be audited using the checklist and it will be so noted in the board minutes.

Please accept this as our response and corrective action plan.

Sincerely,

Donna R. Wells
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective, we interviewed appropriate Town officials and employees, tested selected records and transactions, and examined pertinent documents. Our examination included the following:

- We interviewed Town officials, and reviewed minutes and policies to gain an understanding of internal controls within the Supervisor's Office.
- We compared the canceled check images to the Board-approved warrants for our audit period to ensure that disbursements were authorized by the Board and legitimate Town expenditures.
- We reviewed all 1,265 check numbers and amounts that cleared the bank during our audit period totaling \$1.5 million to verify that all checks were accurately and properly recorded.
- We judgmentally selected 15 canceled check images totaling \$13,200 by selecting those to utilities, unusual vendors, or payments to Town employees to ensure that they were adequately supported and appropriate Town expenditures.
- We judgmentally selected the months of November 2011 and October 2012 and reviewed the bank reconciliations prepared for all four of the Town's accounts to verify that they were accurate.
- We reviewed all 24 bank transfers out totaling \$214,440 for the months of November 2011 and October 2012 and all three withdrawals during our audit period totaling \$79,270 to ensure they were appropriate and approved.
- We reviewed all four journal entries totaling \$251,100 that were made during our audit period to verify they were appropriate and approved.
- We reviewed a sample of six canceled payroll check images to verify that the six individuals were legitimate Town employees.
- We judgmentally selected the months of November 2011 and September 2012 and reviewed two of the payrolls from each month. The payrolls contained 13 employees with gross pay totaling \$7,500 and eight employees with gross pay totaling \$6,070, respectively. We determined that the Town was paying employees at a proper Board-approved rate and for accurate hours worked, and was withholding the proper deduction amounts.
- We reviewed the September 2012 health insurance bill and verified that all three employees were entitled to this benefit according to their union contract.

We conducted this performance audit in accordance with generally accepted government auditing standards (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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AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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