



Town of Rush Board Oversight

Report of Examination

Period Covered:

January 1, 2012 — April 30, 2014

2014M-193



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2014

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 Town 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 Rush, titled Board Oversight. 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*

Introduction

Background

The Town of Rush (Town) is located in Monroe County and has 3,249 residents as of the 2010 census. The Town provides various services to its residents including general administration, road maintenance, snow plowing, and recreation and public library programs and services. The Town's main operating funds include the general, highway and library funds. For fiscal year 2014, the Town's total budgeted appropriations are \$2,629,621,¹ which are funded primarily by real property taxes, non-property taxes, recreation program fees, library fees and State aid.

The Town is governed by an elected five-member Town Board (Board) comprising the Town Supervisor (Supervisor) and four council members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor is the chief fiscal officer (CFO) and is responsible for the receipt, disbursement and custody of Town moneys; maintaining accounting records; and providing the Board with timely, accurate and useful financial reports. The Supervisor delegated some of his duties to the Director of Finance, specifically maintaining the accounting records, preparing disbursement checks, performing bank reconciliations, preparing monthly and annual financial reports to the Board and, as Budget Officer, preparing the preliminary budget and monitoring the status of the budget throughout the year.

Objective

The objective of our audit was to examine the Board's oversight of financial operations. Our audit addressed the following related question:

- Did the Board provide sufficient oversight of the Town's financial operations?

Scope and Methodology

We examined the Board's oversight of financial operations for the period January 1, 2012 through April 30, 2014.

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 is 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

¹ \$1,245,630 – General Fund; \$1,196,709 – Highway Fund; \$187,282 – Library Fund

generally agreed with our findings and indicated they have begun implementing 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 New York State 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.

Board Oversight

The Board is responsible for the effective management of the Town's financial operations. This responsibility requires the Board to develop and implement a framework of fiscal oversight which includes auditing and approving all claims for payment and conducting an annual audit of the records of officials² and employees who receive and disburse cash. The Board did not fulfill certain key oversight responsibilities. The Board did not audit claims prior to approval for payment during fiscal years 2012 and 2013. In addition, the Board did not conduct an annual audit of the books and records of all Town officers who received and disbursed cash for fiscal years 2012 and 2013. The lack of statutorily required Board audits of claims and annual accounting records limits the Board's ability to monitor and maintain accountability over financial operations and increases the risk of improper payments or accounting errors occurring without detection.

Claims Audit

A claim is a demand for payment for goods or services that have been provided to the Town. New York State Town Law requires the Board to audit and approve claims, with few exceptions,³ before the Supervisor can disburse payments. Claims must be in writing, such as a voucher, and must contain sufficient information as well as supporting documentation required for audit. The audit of claims should be a deliberate and thorough process to determine whether proposed payments are proper, including whether the Town's purchasing procedures and pertinent State laws have been followed.

In fiscal years 2012 and 2013, the Supervisor, rather than the entire Board, reviewed the claim vouchers and supporting documentation. The remainder of the Board only reviewed information⁴ that was included on the abstract of claims prior to approving payment of the claims. Beginning in 2014, based on our discussions with the Supervisor during field work, the Supervisor and one additional Board member have been auditing the claim vouchers and supporting documentation prior to the Board's approval for payment. Internal controls would be improved if the entire Board audited the claims prior to payment.

² Town Supervisor, Town Clerk/Tax Collector and two Town Justices

³ Public utility services, postage, freight and express charges may be paid in advance of audit if authorized by Board resolution.

⁴ Information on the abstract of claims included the vendor's name, the amount of the claim and a limited description of the goods or services purchased.

We reviewed 239 claims totaling \$162,868 to determine whether the claims had adequate supporting documentation, were paid in the correct amount and were for goods or services that constituted proper municipal purposes. We did not identify any improprieties in the claims we reviewed.

Annual Audit

Town Law requires that annually, on or before January 20, each Town officer and employee who received or disbursed any moneys in the previous year account for these moneys with the Board and produce all books, records, receipts, vouchers and canceled checks for audit. The Board must then audit these records or engage an independent public accountant to do so. The Board should ensure that the completion and results of the audit are included in its meeting minutes. The Board also should ensure that documentation is filed detailing how the Board performed the audit and the records that it reviewed. The purpose of this annual audit is to provide assurance that public funds are handled properly (i.e., deposited in a timely manner, accurately recorded and accounted for). The annual audit also helps to ensure that financial records and reports contain reliable information on which to base management decisions, identify conditions that need improvement, and provide oversight of the Town's financial operations.

The Board did not audit the financial books and records of all officers and employees who received or disbursed moneys on behalf of the Town during our audit period, with the exception of the Town Justices for fiscal year 2013. Specifically, the Board did not audit, or engage an independent accountant to audit, the records of the Supervisor, Town Clerk and Tax Collector for the 2012 and 2013 fiscal years or of the Justices for 2012. The Board members we interviewed said they were aware of the requirement to annually audit the Justices' records but were not aware that they were also required to audit the records of the Supervisor, Town Clerk and Tax Collector.

The lack of a thorough annual audit of the accounting records and reports of all cash-handling officers and employees hinders the Board's ability to monitor and maintain accountability over the Town's financial operations and protect Town assets from loss, waste or abuse. In addition, there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected in a timely manner.

Recommendations

The Board should conduct:

1. A thorough and deliberate audit of all claims for payment against the Town, before payments are disbursed, to ensure that each claim has adequate supporting documentation and represents a valid Town expenditure.

2. An annual audit of the financial records of all Town officers who received or disbursed money during the preceding fiscal year or engage the services of an independent public accountant to conduct the audits in a timely manner.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF RUSH

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September 29, 2014

RE: Town of Rush Audit Response and Corrective Action Plan Letter
Audit Period Covered Jan 1, 2012 – April 30, 2014

Dear Mr. Grant:

On behalf of Rush Town Board, thank you for your recent audit and the opportunity to discuss your findings. Your auditors were professional and courteous during their 5 months of field work. We are very interested in how we can improve our processes and better serve our constituents. **The Supervisor and Town Board agree with the draft audit as presented by your office.**

This letter serves as our response and corrective action plan.

The Draft Audit Report identified two areas for improvement.

- 1) Claims Audit by Town Board- We are pleased that the review of 239 claims did not identify any improprieties. Our recent process of the Town Supervisor and one Town Board member auditing the claims has been formally strengthened by the appointment of a two person subcommittee of the Town Board to audit the claims in addition to the Town Supervisor. This appointment was made at the 9/24/2014 Town Board meeting and will be incorporated into the annual organizational meeting beginning in January 2015.
- 2) Annual Audit of financial records- The Town Board will appoint a subcommittee annually in January to perform the required audits of the Court, Town Clerk and Supervisor's Office. We are pleased that the auditors' assessment of our financial accounting practices and operations did not identify any risk factors to justify further investigation on their part.

The Town of Rush appreciates the fiscal oversight that your office has provided to us. Your audit has and will improve our operations as a municipal government.

 Respectfully submitted,

Richard Anderson
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of internal controls to ensure financial activity is properly recorded and Town funds are safeguarded. To accomplish this, we performed an assessment of internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of internal controls over the following areas: financial condition, Board oversight, cash receipts and disbursements, Supervisor records and reports, purchasing and claims processing, payroll and personal services and information technology. During our initial assessment, we interviewed Town officials, performed limited tests of transactions and reviewed pertinent documents such as Town policies and procedures, Board minutes and financial records and reports.

After reviewing the information gathered during our initial risk assessment, we determined where weaknesses existed and evaluated those weaknesses for inherent control risks. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected Board oversight for further testing for the period January 1, 2012 through April 30, 2014. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Town officials and employees to gain an understanding of Town operations.
- We reviewed Board minutes from January 2012 through April 2014 for actions relevant to annual audits, claims auditing, budget monitoring and financial condition.
- We reviewed annual update document (AUD) filings for 2012 and 2013 that the Town submitted to the Office of the State Comptroller to determine if they were timely, accurate and complete.
- For two randomly selected months (September 2012 and March 2013):
 - o We traced all cash receipt transactions from cash receipt reports prepared by Town officials to bank statements and to accounting records.
 - o We traced all cash disbursement transactions from Board-approved abstracts of claims and claim vouchers, including supporting documentation, to bank statements and to accounting records. We also reviewed the claim vouchers to determine if they had adequate supporting documentation, were paid in the correct amounts and were for proper municipal purposes.
 - o We reviewed the Supervisor's monthly reports and budget status reports to determine if the reports prepared by the Director of Finance were accurate and complete.

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.

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