



# Town of Moira

## Fiscal Oversight and Selected Financial Operations

### Report of Examination

Period Covered:

January 1, 2015 – April 30, 2016

2016M-350



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

March 2017

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 Moira, entitled Fiscal Oversight and Selected Financial Operations. 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

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### EXECUTIVE SUMMARY

The Town of Moira (Town) is located in Franklin County and includes the Village of Brushton (Village) within its borders. The Town has a population of approximately 2,900. The Town is governed by an elected five-member Town Board (Board), which is composed of 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, as chief fiscal officer, is responsible for the receipt, disbursement and custody of Town money, maintaining accounting records and providing financial reports to the Board. The Town's budgeted appropriations for the 2016 fiscal year were approximately \$985,000, funded primarily with real property taxes.

The Justice Court (Court) has jurisdiction over vehicle and traffic, criminal, civil and small claims cases brought before the Court. The Town had two elected Justices, Justice James Durant and Justice Valerie Pelkey, who presided over the Court during our audit period. The Town also employed a Court clerk to assist with the financial responsibilities related to Court operations. The Justices remitted \$61,413 in fines, fees and surcharges to the Supervisor in 2015 to be distributed among New York State, Franklin County and the Town. The Town reported revenues from these fines, fees and surcharges of \$24,530.

#### **Scope and Objectives**

The objectives of our audit were to review the Board's oversight of financial operations, the Town's procurement practices and claims auditing process and internal controls over the Court's financial operations for the period January 1, 2015 through April 30, 2016. We expanded our scope back to January 1, 2014 for our review of annual financial reports and accountability analyses. Our audit addressed the following related questions:

- Did the Board adequately oversee the Town's financial operations?
- Did Town officials ensure that purchases were made in an economical manner and claims were supported, audited and approved prior to payment, and paid for appropriate purposes?
- Were internal controls over the Court's financial operations appropriately designed and operating effectively?

## **Audit Results**

The Board did not adequately oversee the Town's financial operations. Poor oversight has contributed to the Town having incomplete and inaccurate accounting records. This has resulted in at least \$29,540 in inequities because residents living inside the Village contributed to funding expenditures that should have only been funded by residents living outside the Village. In addition, the current and former Supervisors did not prepare monthly bank reconciliations, provide the Board with complete and accurate monthly financial reports or file accurate or timely annual financial reports with the Office of the State Comptroller. As a result, the Board's ability to exercise financial oversight was hindered, and the Board was not able to determine the true financial condition of the Town's operating funds. Furthermore, the Board did not annually audit or cause an audit of records and reports of all Town officers or employees who received or disbursed money on behalf of the Town.

Town officials also made purchases totaling \$288,819 from three vendors without complying with competitive bidding requirements or using State contracts. In addition, the Board entered into three installment purchase contracts totaling \$377,743 to finance equipment purchases without evaluating financing alternatives. As a result, the Board has not provided residents with assurance that these purchases were made in the most prudent and economical manner.

The Board also did not have adequate procedures for auditing claims. Consequently, corresponding claims were never presented to the Board for its audit and approval for 19 of the 119 check disbursements reviewed (16 percent) totaling \$10,382. In addition, eight claims included payments totaling \$6,003 to the Highway Superintendent for mileage reimbursements for personal use of his vehicle during 2015, although he did not maintain or submit any documentation (e.g., mileage logs) for the 11,544 miles that he was reimbursed.

The Justices did not establish adequate controls over Court collections. Consequently, collections were not properly accounted for and 78 of 172 receipts (45 percent) totaling \$7,815 that we reviewed were not deposited in a timely manner. In addition, bank reconciliations and accountability analyses were not performed for all Court bank accounts. As a result, Justice Durant and the Court clerk were unaware that, as of April 30, 2016, Justice Durant had a cash shortage of \$172 and, when she left office, Justice Pelkey had a cash shortage of \$108. The Justices also did not establish policies and procedures for enforcing unresolved traffic tickets. As a result, 24 of 25 cases for unpaid traffic tickets totaling \$3,940 that we reviewed were not enforced, and there is potential lost revenue to the Town.

## **Comments of Town 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 planned to initiate corrective action.

# Introduction

## Background

The Town of Moira (Town) is located in Franklin County and includes the Village of Brushton (Village) within its borders. The Town has a population of approximately 2,900. The Town is governed by an elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for the receipt, disbursement and custody of Town money, maintaining accounting records and providing financial reports to the Board. The Town had two Supervisors during our audit period. The former Supervisor's term ended on December 31, 2015, after which the current Supervisor's term began.

The Town provides various services to its residents, including maintaining and improving Town roads, snow removal, public improvements, cultural activities and general governmental support. The Town also provides recreational programs to Town and Village residents through the Brushton-Moira Recreation Commission (joint activity). The Town's budgeted appropriations for the 2016 fiscal year were approximately \$985,000, funded primarily with real property taxes.

The Justice Court (Court) has jurisdiction over vehicle and traffic, criminal, civil and small claims cases brought before the Court. The Town had two elected Justices, Justice James Durant and Justice Valerie Pelkey, who presided over the Court during our audit period. Justice Durant's current term is from January 1, 2014 through December 31, 2017, and Justice Pelkey served as an elected Justice from January 1, 2012 through December 31, 2015. The Board appointed Justice Mark McCormick to a term from March 1, 2016 through December 31, 2016 because the individual that was elected to replace Justice Pelkey declined the position on December 8, 2015. As of April 30, 2016, Justice McCormick did not have any financial activity.

The Town also employed a Court clerk during our audit period to assist with the financial responsibilities related to Court operations. The Justices remitted \$61,413 in fines, fees and surcharges to the Supervisor in 2015 to be distributed among New York State, Franklin County and the Town. The Town reported revenues from these fines, fees and surcharges of \$24,530.

## Objectives

The objectives of our audit were to review the Board's oversight of financial operations, the Town's procurement practices and claims auditing process and internal controls over the Court's financial operations. Our audit addressed the following related questions:



- Did the Board adequately oversee the Town's financial operations?
- Did Town officials ensure that purchases were made in an economical manner and claims were supported, audited and approved prior to payment, and paid for appropriate purposes?
- Were internal controls over the Court's financial operations appropriately designed and operating effectively?

## **Scope and Methodology**

We examined the Board's oversight of financial operations, the Town's procurement practices and claims auditing process and internal controls over the Court's financial operations for the period January 1, 2015 through April 30, 2016. We expanded our scope back to January 1, 2014 for our review of annual financial reports and accountability analyses.

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 Town 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 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 Town Clerk's office.

## Fiscal Oversight

The Board is responsible for effective financial planning and oversight of the Town's financial operations. These responsibilities include establishing internal controls over financial operations and periodically reviewing them to ensure they are operating effectively. The Supervisor is responsible for maintaining complete and accurate accounting records in a timely manner to properly account for and report the results of Town financial operations and financial condition. The Board needs this information to make well-informed decisions when preparing the annual budget and monitoring the budget and the Town's financial operations throughout the year. The Board should also provide for the annual audit of the records and reports of applicable Town officers or employees.

The Supervisor did not maintain complete and accurate accounting records and the Board did not adequately oversee the Town's financial operations. This has resulted in at least \$29,540 in inequities because residents living inside the Village contributed to funding expenditures that should have only been funded by residents living outside the Village. In addition, due to the lack of complete and accurate accounting records, the current and former Supervisor did not prepare monthly bank reconciliations, provide the Board with complete and accurate monthly financial reports or file accurate or timely annual financial reports (AFR) with the Office of the State Comptroller (OSC). As a result, the Board's ability to exercise financial oversight was hindered and the Board was not able to determine the true financial condition of the Town's operating funds. Furthermore, the Board did not annually audit or cause an audit of records and reports of all Town officers or employees who received or disbursed money on behalf of the Town.

### Financial Records

The Supervisor, as the chief fiscal officer, is responsible for maintaining accounting records that document the assets, liabilities, fund equity and results of operations (revenues and expenditures) for each Town fund. Each fund is a fiscal accounting entity with a self-balancing set of accounts. Because the Village is located within the Town, the Town must maintain separate funds to account for transactions which are required by law to be accounted for as part-town activities. The Town's main operating funds include the town-wide general and highway funds, which have tax bases that encompass the whole Town, and the part-town general and highway funds, which have tax bases that encompass only the portion of the Town that lies outside the Village's boundaries. Because the Town's financial transactions affect different tax bases, the Board must ensure that the Town's



financial activity is recorded in the proper funds to maintain equity among residents. The accounting records also must be maintained in a complete, accurate and timely manner to be relevant and useful for managing Town operations.

The reconciliation of bank account balances to general ledger cash balances is an essential control activity that allows for the timely identification and documentation of differences between the Town's book balances and bank balances. Bank reconciliations also serve as an internal verification of cash receipt and disbursement transactions. As such, bank reconciliations should be prepared by the Supervisor.

Accounting Records — Neither the former nor the current Supervisor maintained complete, accurate and timely accounting records. For example, they did not maintain general ledgers containing assets, liabilities and fund equity for any Town funds during our audit period. In addition, at the time of our review, the current Supervisor was in the process of formatting a spreadsheet to be used to account for the Town's revenues and expenditures during the 2016 fiscal year. Furthermore, although the former Supervisor maintained a spreadsheet containing the revenues and expenditures for each fund during the 2015 fiscal year, the spreadsheet only included the totals by month for each revenue and expenditure account. As a result, to determine each individual revenue received and expenditure incurred by the Town, one would have to trace from the monthly totals in the spreadsheet to source documents supporting those totals.

We reviewed 10 revenue accounts totaling \$761,650 and 10 expenditure accounts totaling \$421,602 that were recorded in the accounting records maintained by the former Supervisor as of December 31, 2015.<sup>1</sup> We found that one revenue account totaling \$93,150 and three expenditure accounts totaling \$255,586 were either not adequately supported, recorded in the proper fund or both. For example, the special fire protection district revenues and expenditures were both overstated by \$62,150 because financial transactions related to the Moira Fire District were recorded in the special fire protection district, although the District is a separate entity from the Town and not a fire protection district that the Town contracts with.

We also found that \$102,000 in permanent improvement expenditures were recorded in the part-town highway fund although the Town incurred related expenditures totaling \$117,797 in 2015. As a result, this expenditure account was understated by \$15,797. The \$15,797 in

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<sup>1</sup> See Appendix B, Audit Methodology and Standards, for details on our sample selection.

expenditures were also improperly recorded in the town-wide highway fund. This has resulted in inequity because residents living inside the Village funded these expenditures, although they should have only been funded by residents living outside the Village.<sup>2</sup>

Because the current and former Supervisor failed to maintain adequate accounting records, the records were incomplete, inaccurate and unreliable. As a result, the Board was unable to adequately monitor the Town's financial operations and determine the true financial condition of the Town's operating funds. In addition, the Supervisor's failure to ensure that expenditures were properly coded has caused inequities among the Town's residents.

Bank Reconciliations — The Town maintained six operating fund bank accounts during our audit period, which included a general checking account, general savings account, highway checking account, highway savings account, trust and agency checking account and justice holding account. The Town commingled the cash of the town-wide general fund, part-town general fund, special lighting district and the joint activity in the general checking and savings accounts and the cash of the town-wide highway fund and part-town highway fund in the highway checking and savings accounts.

Because the Town commingled funds and did not maintain general ledger cash accounts for any of the Town's funds, the current and former Supervisors could not determine the reconciled cash balances for each fund during the fiscal year. In addition, although the Supervisor, as the Town's chief fiscal officer, should prepare bank reconciliations, the Town Clerk reconciled bank accounts to the operating fund checkbook registers on a monthly basis. This occurred although the Town Clerk's financial duties are incompatible with the Supervisor's duties.<sup>3</sup> Furthermore, the former Supervisor told us she would allocate cash to each Town fund at year-end when preparing the Town's AFR filed with OSC.<sup>4</sup>

We selected three months during our audit period (April and December 2015 and April 2016), which included 10 prepared bank reconciliations. The adjusted bank balance agreed with the corresponding checkbook register balance at month-end for all of these reconciliations. However, bank reconciliations were not prepared for the general and highway savings accounts for any of the three months, the highway checking account for December 2015 and the general checking account for April 2016.

<sup>2</sup> In towns containing villages, taxes for highway repairs and improvements are imposed on the area of the town outside the village, whereas taxes for bridges, machinery and snow and miscellaneous expenditures are imposed on a town-wide basis.

<sup>3</sup> Attorney General Opinion 89-66

<sup>4</sup> See the Financial Reports section of the report.

The Town Clerk told us that she never prepared bank reconciliations for the savings accounts due to the limited activity within these accounts. However, because these accounts are maintained at a different bank from the checking accounts and significant transfers (as much as \$50,000) are made from them, it is important to reconcile them to safeguard the Town's assets. In addition, she told us that she did not prepare the general checking account reconciliation for April 2016 because she could not reconcile the account for the previous month. We determined that the general checking account did not reconcile for March 2016 because the Town Clerk made \$573 in recording errors in the Supervisor's checkbook register during the month. These recording errors were not promptly identified and resolved because no one independently reviewed the bank reconciliations that the Town Clerk prepared during the 2016 fiscal year.

Because the Town is small, segregating key financial duties can be difficult. Therefore, ensuring that the Supervisor's and Town Clerk's duties are separate is of utmost importance. Separating the duties of each office has built in checks and balances that help to safeguard Town assets. Allowing the Town Clerk to perform the Supervisor's financial duties circumvents these controls and increases the risk that errors, irregularities or fraud could occur.

In addition, the current and former Supervisors did not have the necessary training and expertise to prepare the Town's key financial records. Had they obtained the necessary training, including training OSC offers to local governments throughout the year, the Town's records would have been more accurate and useful.

The state of the Town's accounting records precluded the current and former Supervisors from being able to properly reconcile bank accounts and determine the reconciled cash balances for each fund during the fiscal year. In addition, the lack of preparation and oversight of bank reconciliations increases the risk that errors or irregularities, including fraud and abuse, could occur and remain undetected. The commingling of cash without maintaining accurate records and accountability over each fund's cash balance also increases the risk that one fund's cash could be used to finance another fund's operations, resulting in taxpayer inequities.

## **Financial Reports**

The Board needs complete, accurate and current financial information to effectively monitor the Town's financial operations. New York State Town Law (Town Law) requires that, at the end of each month, the Supervisor submit a monthly report to the Board of all money received and disbursed during the month. The report should also include reconciled cash balances for each fund and comparisons of actual revenues and expenditures to amounts estimated in the annual budget (budget status reports).

General Municipal Law (GML) also requires the Supervisor to prepare and file an AFR with OSC within 60 days after the close of the fiscal year.<sup>5</sup> While it is the Supervisor's responsibility to prepare and file the AFR, the Board should have procedures in place to review the report to ensure it is accurate and supported by the accounting records and that the Supervisor completes and submits it to OSC by the deadline. Because the Board is ultimately responsible for the Town's financial operations, it should require the Supervisor to present complete and accurate financial reports.

Monthly Reports — The current and former Supervisor did not provide the Board with adequate monthly financial reports that would enable it to effectively monitor the Town's financial activity. Further, Board members did not request any additional information. The Board did not receive budget status reports, and because general ledger cash accounts were not maintained for any of the Town's funds, the current and former Supervisors could not provide the Board with a monthly report showing the reconciled cash balances for each fund.

Instead, the Board received a monthly financial report from the current Supervisor that contained the previous month's ending cash balance, a detailed listing of all receipts and disbursements during the month and a corresponding ending cash balance for the Town's four operating fund checking accounts. The former Supervisor provided similar monthly reports to the Board during the 2015 fiscal year, except that her reports also included the financial activity of the general and highway savings accounts.

We reviewed three monthly reports during our audit period (April and December 2015 and April 2016) and found that two were incomplete and inaccurate. For example, the ending cash balances that were recorded for the general and highway checking accounts on the April 2016 monthly reports were overstated by \$24,936 and \$30,057, respectively. The current Supervisor was not using correct starting cash balances from the previous month. Compounding errors from month to month during the 2016 fiscal year resulted in incorrect starting cash balances for the months, which then affected the ending cash balances.

The Supervisor's failure to provide complete and accurate monthly financial reports to the Board hinders its ability to exercise financial oversight and increases the risk that errors or irregularities could occur and remain undetected and uncorrected.

AFRs — The Supervisor did not prepare and file the Town's AFR with OSC within the established time frame. As of June 2016, the current Supervisor had not filed the 2015 AFR. The current Supervisor told us he had not filed the AFR because he was newly elected and had

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<sup>5</sup> Upon written request, the deadline may be extended for an additional 60 days.

never previously prepared an AFR and that he had to use the former Supervisor's accounting records to prepare it. In addition, although the former Supervisor filed the Town's 2014 AFR in a timely manner, she did not provide the report to the Board for its review to ensure it was accurate and supported by the accounting records.

The former Supervisor told us that, to prepare the AFR for the 2014 fiscal year, she began with the prior year's fund balances, added the current year's revenues and subtracted the current year's expenditures (obtained from the accounting records) to calculate the current year's ending fund balances and corresponding cash balances for each fund. This method was inadequate because it would not detect if any revenues or expenditures were improperly recorded, resulting in inaccurate balances being reported.

Because of the methodology used for preparing the Town's 2014 AFR, we reviewed 10 revenue accounts totaling \$721,867 and 10 expenditure accounts totaling \$412,338 that were reported on the 2014 AFR<sup>6</sup> and found that three revenue accounts totaling \$102,015 and three expenditure accounts totaling \$214,948 were either not adequately supported, not recorded in the proper fund or both. For example, \$61,185 in fire protection service revenues and \$61,185 in fire protection contractual expenditures were recorded in the town-wide general fund, although the Town did not realize any of these revenues or incur any of these expenditures in 2014.

This occurred because the former Supervisor incorrectly recorded financial transactions related to the Moira Fire District in the Town's AFR, although the District is a separate entity that files its own AFR with OSC. As a result, the town-wide general fund's revenues and expenditures were both overstated in the AFR by \$61,185, or approximately 16 percent of the total reported revenues and expenditures for the fund.

In addition, we found that \$102,000 in permanent improvement expenditures were recorded in the part-town highway fund although the Town incurred related expenditures totaling \$115,743 in 2014. As a result, this expenditure account was understated by \$13,743. The \$13,743 in expenditures were also improperly recorded in the town-wide highway fund. As a result, similar to 2015, this has resulted in inequity because residents living inside the Village funded these expenditures, although they should have only been funded by residents living outside the Village.

Furthermore, \$51,763 in snow removal personal service expenditures were recorded in the town-wide highway fund, but the Highway

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<sup>6</sup> See Appendix B, Audit Methodology and Standards, for details on our sample selection.

Superintendent did not maintain sufficient documentation to support that the expenditures were recorded in the proper fund. The Highway Superintendent provided the Town Clerk with the number of hours worked by highway employees but did not maintain records of the actual work performed. As a result, Town officials could not allocate these costs to the appropriate accounts or funds. However, these expenditures consisted of three of the four full-time highway department employees' base salaries during the months of January through April, November and December 2014, or six months of the fiscal year. The Town Clerk told us that the Town has historically allocated expenditures to this account in this manner, potentially creating additional inequity among residents.

We also reviewed all seven cash accounts totaling \$374,277 reported on the 2014 AFR and found that their combined total cash balances reported on the AFR agreed with the corresponding adjusted bank balances as of December 31, 2014. However, the Town's cash balances reported on the AFR should not have agreed with the corresponding adjusted bank balances because the Town's bank accounts also contained the joint activity's cash totaling \$524 as of December 31, 2014. The joint activity's financial data is not reported in the Town's AFR, but instead is reported in a separate AFR that is filed with OSC. In addition, the 2014 AFR contained an unsupported, though not fraudulent, prior period adjustment of \$2,048 to decrease the fund equity in the special lighting district, which was recorded to make the reported cash balances agree with the corresponding adjusted bank balances. As a result, based on the former Supervisor's methodology for allocating cash balances and because we found that revenues and expenditures were not accurately recorded in the AFR for each fund, the reported cash balances on the AFR were not accurate.

The current Supervisor's failure to file the Town's 2015 AFR with OSC in a timely manner has hindered the Board's ability to monitor the Town's financial operations and has resulted in the Town not complying with GML. In addition, the former Supervisor's failure to prepare an accurate AFR prevented the Board, residents and other interested parties access to reliable financial information which can be used to measure the effectiveness of operations and the Town's overall fiscal health.

## **Annual Audit**

Town Law requires the Board to conduct or obtain an annual audit of the records and reports of any Town officer or employee who received or disbursed money on behalf of the Town in the preceding year. This annual accounting is to provide assurance that public money is handled properly (deposited in a timely manner, accurately recorded and accounted for), identify conditions that need improvement and provide oversight of the Town's financial operations. A thorough



annual audit also provides the Board an added measure of assurance that financial records and reports contain reliable information on which to base its management decisions. After completing the audit, the Board should ensure that the audit's completion and results are noted in the minutes. In addition, the Board should ensure that documentation is maintained that provides an explanation of how the audit was performed and the records that were reviewed during the audit.

The Board did not audit, or cause to be audited, the financial records and reports of the Supervisor, Tax Collector or Code Officer for the 2015 fiscal year. In addition, while the Town Clerk and Board members told us that the Board conducted an audit of the Town Clerk's records for 2015, the minutes did not indicate that the Board conducted the audit, what the Board had reviewed or whether any findings resulted from its audit. Board members told us that their audit consisted of only reviewing and signing the Town Clerk's manual cash receipts ledger for the 2015 fiscal year. As a result, the Board was not provided with adequate records to conduct a comprehensive audit of the Town Clerk.

The current Supervisor also told us that, since he took office on January 1, 2016, the Board did not audit the Town Justices' records for 2015. However, the former Supervisor told us that, because the Town received a letter from the State of New York Unified Court System dated September 8, 2015 requesting a copy of the Town's most recent audit of the Town Justices and a copy of the Board resolution acknowledging that the required audit was conducted, the Board audited the Justices' records for the period January 1, 2015 through September 30, 2015. While the October 2015 minutes indicated that the Board conducted an audit of the Justices' records, there was no indication of what the Board had reviewed or whether any findings resulted from its audit.

Had the Board conducted or caused a complete and comprehensive annual audit of Town officials' records, some of the deficiencies found during our audit may have been identified and addressed sooner. The lack of a complete and comprehensive annual audit diminishes the Board's ability to effectively monitor the Town's financial operations and could result in errors or irregularities occurring and remaining undetected and uncorrected.

## **Recommendations**

The Board should:

1. Review statutory requirements relating to the allocation of highway expenditures and ensure that these expenditures are allocated in the proper fund in accordance with these requirements.

2. Ensure that complete and accurate monthly bank reconciliations are prepared by the Supervisor and independently reviewed and approved.
3. Ensure that the financial information presented in the AFR prepared by the Supervisor is accurate and supported by the accounting records.
4. Annually audit, or cause to be audited, the financial records and reports of all Town officers and employees who receive or disburse money on behalf of the Town and document the results of its audit in the minutes.

The Supervisor should:

5. Ensure that the Town's accounting records are complete, accurate and maintained in a timely manner.
6. Prepare and provide the Board with complete and accurate monthly financial reports, including budget status reports and reconciled cash balances for each fund.
7. File the AFR with OSC in a timely manner.
8. Obtain necessary financial training to prepare accurate financial records and reports. A list of training offered by OSC can be found at <http://www.osc.state.ny.us/localgov/academy/index.htm>.

The Highway Superintendent should:

9. Document the work performed by highway employees and provide that information to the Supervisor so payroll costs can be properly allocated between the town-wide highway and part-town highway funds.

## Procurement and Claims Auditing

The Board and Highway Superintendent are responsible for ensuring that the Town purchases the desired quality and specified quantity of goods and services at the lowest overall cost. This includes complying with GML's competitive bidding and financing requirements. Before authorizing claims for payment, the Board must thoroughly audit claims to ensure they are supported by adequate documentation and for appropriate purposes.

Town officials made purchases totaling \$288,819 from three vendors without complying with the competitive bidding requirements or using State contracts. In addition, the Board entered into three installment purchase contracts totaling \$377,743 to finance equipment purchases without evaluating financing alternatives. As a result, the Board has not provided residents with assurance that it made such purchases in the most prudent and economical manner. The Board also did not have adequate procedures for auditing claims. Consequently, we identified \$22,674 of claims that were never presented to the Board for audit and approval, were paid prior to Board audit and approval, were not supported by adequate documentation and/or were for improper payments.

### Competitive Bidding

GML generally requires competitive bidding for purchase and public works contracts that exceed \$20,000 and \$35,000, respectively. In lieu of seeking competitive bids, the Town is authorized to make purchases using New York State contracts awarded by the Office of General Services (OGS) or contracts bid by other governments. In determining the necessity for competitive bidding, the aggregate amount to be expended for the same commodity or service within the 12-month period commencing on the date of the purchase must be considered. It is essential that applicable competitive bidding provisions be followed and State contract options investigated to help ensure the prudent and economical use of public money and to facilitate the acquisition of goods and services of required quality at the lowest cost.

We reviewed all five commodity and equipment purchases totaling \$479,207 that the Town made during our audit period that exceeded the competitive bidding thresholds. We found that the Town did not comply with competitive bidding requirements or use State contracts to purchase three of these items totaling \$288,819. These purchases consisted of \$226,235 for a 2016 plow truck, \$33,695 for a 2016 pickup truck and \$28,889 for on-road diesel fuel during the 2015 fiscal year.

While the Highway Superintendent claimed that the 2016 plow truck was purchased under State contract, the vendor was not a State contract holder and there was no documentation to link this regional dealer to an approved State contract vendor. In addition, the Highway Superintendent told us that the Town did not competitively bid or use State contract options for the 2016 pickup truck purchase or on-road diesel fuel purchases because the local vendors that the Town used stated that they would match State contract pricing. However, because these vendors were not actually awarded State contracts, this was not a valid exception to the competitive bidding requirements.

We compared the price per gallon paid by the Town for all on-road diesel fuel purchases during the 2015 fiscal year to the applicable State contract price per gallon. Except for minor discrepancies which we discussed with Town officials, the Town's purchase price was equal to State contract pricing. There were no State contracts in place for the purchase of plow trucks or 2016 pickup trucks at the time that the Town made these purchases.

By not complying with GML requirements, the Board and Highway Superintendent have not provided residents with assurance that significant purchases were made in the most prudent and economical manner.

## **Installment Purchase Contracts**

GML authorizes towns to enter into installment purchase contracts for the financing of machinery, equipment or apparatus acquisitions. Towns must adhere to the rules communicated by the State Comptroller pursuant to GML when entering into installment purchase contracts. These rules require that any resolution authorizing a town to use an installment purchase contract should reference the evaluation of financing alternatives and set forth the specific reasons why the Board has determined that it is in the Town's best interest to finance the machinery, equipment or apparatus pursuant to an installment purchase contract.

The Town entered into three installment purchase contracts during our audit period, which included a five-year contract with a principal balance of \$158,760 and a 2.72 percent annual interest rate to finance a 2015 plow truck, a five-year contract with a principal balance of \$156,235 and a 2.67 percent annual interest rate to finance a 2016 plow truck, and a four-year contract with a principal balance of \$62,748 and a 4 percent interest rate compounded monthly to finance a 2013 backhoe loader. However, Town officials could not provide us with a Board resolution authorizing the Town to enter into the installment purchase contracts for the 2015 plow truck or backhoe loader.

In addition, the Board did not evaluate financing alternatives prior to entering into any of the installment purchase contracts. The current and former Supervisor told us that they were not aware of the rules communicated by the State Comptroller and that this equipment could be financed with debt (e.g., bond anticipation notes or serial bonds). The Town will incur interest expenditures totaling \$32,439 over the term of the three installment purchase contracts. Because the Town did not compare this financing method to the cost of issuing debt, Town officials do not know what the alternative costs would have been.

Soliciting and evaluating financing options as part of the purchase process would help ensure that the Board is making economically prudent decisions. Without a thorough evaluation of financing options, Town residents cannot be assured that installment purchase contracts were secured at the most competitive interest rates and that the Town will pay the lowest available amount for this equipment.

## **Claims Auditing**

Town Law requires the Board to audit claims and adopt a resolution authorizing the payment of those claims that were approved. Effective claims auditing procedures ensure that every claim against the Town is subject to a thorough and deliberate audit and contains enough supporting documentation to determine whether it complies with statutory requirements and policies and that the amount claimed represents an actual and necessary Town expenditure. With limited exceptions,<sup>7</sup> Town Law requires the Board to audit and approve all claims against the Town prior to directing the Supervisor to pay them.

The Board did not have adequate procedures for auditing claims. The Board as a whole did not perform a thorough and deliberate audit of each claim. Instead, the Board only required that two Board members audit each claim prior to payment, which was indicated by the Board members' signatures and the corresponding date on individual claims. As a result, three Board members relied on the audit of claims that was performed by the other two Board members when adopting a resolution at their monthly meetings indicating the claims that the Board audited and approved for payment.

We reviewed 50 check disbursements totaling \$39,871<sup>8</sup> that were made to pay claims during our audit period and found that seven claims totaling \$930 were not supported by adequate documentation

<sup>7</sup> The Board may, by adopting a resolution, authorize payment of certain claims in advance of its audit. Claims that may be paid in advance include claims for public utility services (electric, gas, water, sewer, fuel oil and telephone services), postage, freight and express charges. Such prepaid claims must still be presented for audit at the next regular Board meeting.

<sup>8</sup> See Appendix B, Audit Methodology and Standards, for details on our sample selection.

to indicate that they were for appropriate Town purposes. Except for minor discrepancies that we discussed with Town officials, the remaining 43 claims were for appropriate Town purposes. However, nine claims totaling \$9,432 were not audited and approved by the Board prior to payment. Eight of these claims totaling \$9,246 were never presented to the Board for its audit and approval. These claims included payments for various Town-related purchases, such as the installation of a security system at the Town Hall and cleaning supplies.

We also reviewed all 69 check disbursements totaling \$14,616 that were made to pay claims to Town employees during our audit period. We found deficiencies with 51 claims totaling \$12,510 which included, but were not limited to, the following:

- Twelve claims totaling \$6,715 included payments of \$6,183 that were not supported by adequate documentation. Eight of these claims included payments totaling \$6,003 to the Highway Superintendent for mileage reimbursements for personal use of his vehicle during the 2015 fiscal year, although the Highway Superintendent did not maintain or submit any documentation (e.g., mileage logs) for the 11,544 miles that he was reimbursed for.
- Five claims totaling \$2,500 were for payments to the Code Officer for a \$500 quarterly stipend for mileage and phone expenses. However, Town officials could not provide us with documentation that the quarterly stipend had been Board approved. In addition, the quarterly stipends were deducted from the Code Officer's Board-approved salary of \$8,000, resulting in the Code Officer only being paid a \$6,000 salary through payroll and \$2,000 through stipends during the 2015 fiscal year. The Town also did not include the \$2,000 in stipend payments as wages on the employee's Wage and Tax Statement (Form W-2) for 2015.
- Thirteen claims totaling \$1,594 were not audited and approved by the Board prior to payment. Eleven of these claims totaling \$1,136 were never presented to the Board for its audit and approval. These claims were predominately for mileage reimbursements and safety boot reimbursements.

The failure of the Board as a whole to perform a thorough and deliberate audit of each claim has resulted in the Board approving claims for payment that were either not supported by adequate documentation or were for improper payments. In addition, when claims are paid in advance of Board approval or never presented to



the Board for approval, there is an increased risk that the Town could pay for unauthorized claims without detection.

## **Recommendations**

The Board should:

10. Adopt resolutions when authorizing installment purchase contracts that reference the evaluation of financing alternatives and set forth the specific reasons why the Board has determined that it is in the Town's best interest.
11. Perform a thorough and deliberate audit of claims ensuring that all claims are supported by adequate documentation and represent valid Town expenditures prior to approving them for payment.

The Board and Highway Superintendent should:

12. Ensure that purchase and public works contracts exceeding the statutory competitive bidding thresholds are executed in compliance with GML.
13. Solicit and evaluate financing options for machinery, equipment or apparatus purchases that are financed.

The Supervisor should:

14. Ensure that no claim against the Town, other than those allowed under Town Law, is paid prior to the Board's audit and approval.

## Justice Court Operations

Justices are responsible for adjudicating all cases brought before their Court and establishing internal controls that ensure that cash received by the Court is safeguarded and that Court activity is properly recorded and reported. To accomplish this, Justices must maintain complete and accurate accounting records and deposit and disburse cash in a timely manner. They must also perform monthly bank reconciliations and accountability analyses and report all Court transactions to the Office of the State Comptroller's Justice Court Fund (JCF) and the New York State Department of Motor Vehicles (DMV), when applicable. The Justices are also responsible for enforcing unresolved traffic tickets and ensuring that money is collected as efficiently and effectively as possible.

The Justices did not establish adequate controls over collections. Consequently, collections were not properly accounted for or deposited in a timely manner. In addition, bank reconciliations and accountability analyses were not performed for all Court bank accounts. As a result, Justice Durant and the Court clerk were unaware that, as of April 30, 2016, Justice Durant had a cash shortage of \$172 and, when she left office, Justice Pelkey had a cash shortage of \$108. In addition, the Justices did not establish policies and procedures for enforcing unresolved traffic tickets, which resulted in unpaid traffic tickets not being enforced and potential lost revenue to the Town.

### Collections

Justices are required to issue receipts to acknowledge the collection of all money paid to the Court. The receipts should be press-numbered and issued in sequential order. The Court should retain a duplicate copy of each receipt. In addition, Justices are required to deposit all money collected by the Court into official bank accounts as soon as possible, but no later than 72 hours from the date of receipt, excluding Sundays and holidays. It is also critical that collections be deposited intact (in the same amount and form as received) to reduce the risk of fraud and concealment. Justices are also required to submit monthly reports detailing all fines, fees, surcharges and forfeited bail collected to the JCF by the 10th day of the succeeding month.

Each Justice had their own separate press-numbered duplicate receipt books from which manual receipts were issued for payments received. The Court clerk was responsible for collecting payments, issuing receipts and posting payments in the computer system, and the Justices were responsible for preparing and making their own deposits. The Justices compared the collections to the corresponding manual receipts and prepared duplicate itemized deposit slips prior

to making their deposits. However, the Justices did not attach any supporting documentation to their validated deposit receipts to support the deposits made, such as cash receipt detail from the computer system. In addition, the Justices did not provide the Court clerk with any supporting documentation of the deposits that were made, which would have allowed for an independent review to ensure that all collections were deposited.

We reviewed three months of manual receipts that were issued for each Justice during our audit period, which consisted of 172 receipts totaling \$16,907.<sup>9</sup> All 172 receipts were deposited intact and reported to the JCF, if applicable. However, 78 receipts (45 percent) totaling \$7,815 were deposited up to 13 days beyond the 72-hour requirement.

The Justices' failure to deposit collections in a timely manner increases the risk that collections could be lost or misused. Furthermore, this risk was increased because collections were not properly secured prior to deposit. Although collections were stored in a locked filing cabinet prior to deposit, the Court clerk stored the keys to the filing cabinet in her unlocked desk. As a result, the filing cabinet was readily accessible to any employee who had a main key to the Town Hall.

## **Accountability**

It is important for Court personnel to periodically verify the accuracy of the financial records and establish adequate control over cash by reconciling the Court's bank accounts monthly. In addition, on a monthly basis, the amount of cash on hand and on deposit in the bank should be compared to detailed lists of amounts due to the JCF and other outstanding liabilities, such as pending bail. This comparison is referred to as an accountability analysis. Preparing bank reconciliations and accountability analyses are critical procedures that serve to document the status of money held by the Court and provide a means of demonstrating that the Court is properly addressing its custodial responsibilities. Justices are personally responsible for money received by the Court and may be liable for money paid to the Court that is lost or stolen.

Justice Durant — The Justice had one bank account that was used for all financial activity during January 1, 2014 through January 31, 2016. The Justice opened a second bank account in February 2016 to be used solely for the deposit and disbursement of future bail received. Bank reconciliations and accountability analyses were never prepared for these bank accounts. We prepared accountability analyses for each month during January 1, 2014 through April 30, 2016. We found that Justice Durant's known liabilities exceeded his assets for each of the

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<sup>9</sup> See Appendix B, Audit Methodology and Standards, for details on our sample selection.

28 months, resulting in a cash shortage each month. Specifically, as of January 31, 2014, the shortage totaled \$165 and increased slightly to a shortage of \$172 as of April 30, 2016 (Figure 1).

<b>Figure 1: Justice Durant — Accountability Analysis as of April 30, 2016</b>	
<b>Court Assets</b>	<b>Amount</b>
Adjusted Bank Account Balances	\$9,183
Due from JCF	\$500
Due from Justice Pelkey	\$109
<b>Total Court Assets</b>	<b>\$9,792</b>
<b>Court Liabilities</b>	
Outstanding Bail	\$5,000
Fines and Fees Due to JCF for April 2016	\$4,770
Due to Justice Durant <sup>a</sup>	\$20
Due to County Probation Department	\$16
Unsupported Deposits Made January 2014 through April 2016	\$158
<b>Total Known Liabilities</b>	<b>\$9,964</b>
<b>Cash Shortage</b>	<b>(\$172)</b>
<sup>a</sup> Justice Durant deposited \$20 of his own personal funds to open a second bank account during February 2016.	

Justice Durant explained that the \$165 shortage in his account, as of January 31, 2014, may have resulted because former Justices transferred cases with pending bail to him upon their resignation but did not remit the corresponding amount of pending bail to him. Because the shortage increased by only \$7 during the period we reviewed, which occurred because three deposits were made in amounts less than the corresponding issued receipts, the cause of a majority of the shortage occurred prior to January 2014. However, we found several discrepancies in the Court's records for Justice Durant which included, but were not limited to, the following:

- Fifteen receipts totaling \$2,009 that were collected by the Court were not reported to the JCF for the month they were received. For example, one receipt totaling \$160 that was collected during January 2014 was reported to the JCF on the monthly report for October 2014.
- The Justice is owed \$500 from the JCF because \$500 in fines and fees were incorrectly reported to the JCF. For example, although a defendant made a \$400 payment, \$663 in fines and fees were reported to the JCF. This occurred because \$263 of the \$400 payment was incorrectly recorded twice in the computer system.
- The Justice is owed \$109 from Justice Pelkey because, when Justice Pelkey left office, she transferred a case with \$500 in pending bail to Justice Durant. However, she only remitted \$391 to Justice Durant.

- The Justice made 12 deposits that included a total of \$158 that was not supported by corresponding issued receipts.

**Justice Pelkey** — The Justice had one bank account that was used for all financial activity during January 1, 2014 through December 31, 2015, and she prepared monthly bank reconciliations for this account. We selected three months during the 2015 fiscal year (February, May and October 2015) and found the associated bank reconciliations agreed with the Justice’s checkbook register. However, accountability analyses were never prepared comparing cash on hand and in the bank with known liabilities.

We prepared accountability analyses for each month during January 1, 2014 through December 31, 2015. We found that Justice Pelkey’s assets exceeded her known liabilities for each month during January 1, 2014 through June 30, 2014, resulting in a cash overage each month during this period. Justice Pelkey’s known liabilities exceeded her assets for each month during July 1, 2014 through December 31, 2015, resulting in a cash shortage each month during this period. Specifically, as of January 31, 2014, the overage totaled \$200 and decreased by \$308 to a shortage of \$108 as of December 31, 2015 (Figure 2).

**Figure 2: Justice Pelkey — Accountability Analysis as of December 31, 2015**

<b>Court Assets</b>	<b>Amount</b>
Adjusted Bank Account Balance	\$1,856
Due from JCF	\$138
<b>Total Court Assets</b>	<b>\$1,994</b>
<b>Court Liabilities</b>	
Outstanding Bail	\$500
Fines and Fees Due to JCF for December 2015	\$1,495
Unremitted Overpayment	\$15
Unreported Fines and Fees Received January 2014 through November 2015	\$90
Unsupported Deposits Made January 2014 through December 2015	\$2
<b>Total Known Liabilities</b>	<b>\$2,102</b>
<b>Cash Shortage</b>	<b>(\$108)</b>

Justice Pelkey did not have an explanation for the \$200 overage as of January 31, 2014. However, the overage decreased by \$308 to a shortage of \$108 as of December 31, 2015. This occurred because \$243 was reported to the JCF and remitted to the Supervisor, although there was no documentation supporting the receipt or deposit of the collection. In addition, three deposits were made in amounts less than the corresponding issued receipts totaling \$65. We also found other discrepancies in the Court’s records for Justice Pelkey. For example, the Justice is owed \$138 from the JCF because \$138 in fines and fees were incorrectly reported to the JCF. We also found that \$90 in fines

and fees were receipted and deposited into the Justice's account but were not reported to the JCF.

The lack of monthly bank reconciliations and accountability analyses being performed contributed to the discrepancies identified in the Court's records and resulted in a combined total of \$280 in cash shortages for the Justices that were not detected by Court personnel.

## **Traffic Tickets**

To avoid a backlog of outstanding cases, it is essential for the Justices to establish policies and procedures for enforcing unresolved traffic tickets. These guidelines should include using reports available from the DMV to follow up on and enforce unresolved traffic tickets. For example, the Court can use the DMV scofflaw program<sup>10</sup> to enforce Court appearance and the payment of fines. The Court has to wait 60 days from either the date of appearance or last payment before sending correspondence to the DMV to suspend the motorist's driving privileges.

Local and State police agencies issue Uniform Traffic Tickets (UTTs) for vehicle and traffic infractions. The DMV tracks the tickets by adding pertinent information to its Traffic Safety Law Enforcement and Disposition (TSLED) database. Upon adjudication, when all fines are paid, the Court must send a copy of the ticket to the DMV for removal from the pending ticket database. Court personnel can generate reports from the TSLED database that list all pending UTT cases. The Justices should routinely review these reports to ensure that the Court is processing tickets in a timely manner. The Court clerk can also generate a TSLED report of the cases that have been pending for 60 days and identify individuals who either have not appeared in Court to resolve their tickets or have not paid their fines. The Court clerk should then report these cases to the DMV to be enforced through the scofflaw program.

The Justices did not establish policies and procedures for enforcing unresolved traffic tickets. As a result, the Court was not enforcing and monitoring unresolved traffic tickets in a timely manner. Although the Town participated in the DMV scofflaw program, the Court did not use TSLED reports to enforce and monitor unresolved traffic tickets. Instead, the Justices and Court clerk had developed informal procedures for identifying cases to be reported to the scofflaw program.

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<sup>10</sup> The DMV scofflaw program allows local justice courts to notify the DMV when an individual has an unresolved (failure to pay the fine or failure to appear on the court date) traffic ticket for a 60-day period. When this occurs, the DMV notifies the individual and gives them 30 additional days to address the issue. If the individual has not taken action, then the DMV suspends the individual's license until the individual addresses the outstanding ticket.



We requested a report directly from the DMV of all pending UTTs (pending ticket report) as of April 30, 2016, which contained 2,407 pending cases dating back to 1986. We reviewed 25 cases<sup>11</sup> with a violation date between January 1, 2015 and March 1, 2016 from this report and found that one case was reported to the DMV scofflaw program, but the remaining 24 cases were not reported even though they were eligible to be. According to Court records, \$3,940 had not been paid by defendants on these 24 cases.

The Justices' failure to establish policies and procedures for the enforcement of unresolved traffic tickets and lack of oversight has resulted in unresolved traffic tickets not being enforced and potential lost revenue to the Town.

## Recommendations

The Justices should:

15. Ensure that receipts are issued in sequence for all collections received and that the collections are deposited within 72 hours from the date of receipt, excluding Sundays and holidays.
16. Attach supporting documentation to the validated deposit receipts to support the deposits that are made and provide the Court clerk with this documentation so she can ensure that all collections are deposited.
17. Ensure that collections are physically secured prior to deposit and that access to collections is limited.
18. Ensure that bank reconciliations and accountability analyses are prepared monthly, whereby known liabilities are reconciled to available cash, and promptly investigate and resolve any discrepancies.
19. Establish written policies and procedures to ensure that traffic tickets that are unresolved after 60 days are enforced by being reported to the DMV scofflaw program.

Justice Durant should:

20. Reimburse his account for the \$172 cash shortage that was identified in this report and take other appropriate actions to make the amount of cash on hand and on deposit in his bank accounts agree with the amounts due to the JCF and outstanding bail.

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<sup>11</sup> See Appendix B, Audit Methodology and Standards, for details on our sample selection.

Prior Justice Pelkey should:

21. Reimburse the \$108 cash shortage that was identified in this report.

The Supervisor should:

22. Take appropriate actions to recover any assets and dispose of any outstanding liabilities related to Justice Pelkey's financial activities.

## **APPENDIX A**

### **RESPONSE FROM TOWN OFFICIALS**

The Town officials' response to this audit can be found on the following pages.

# TOWN OF MOIRA

**Barry Dabiew**  
*Town Supervisor*

**Rolland Thomas**  
*Code Officer*

**James Helm**  
*Highway Superintendent*

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**Marty Burnett**  
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**Ryan O'Connor**  
*Town Council*

**James Durant**  
**Mark McCormick**  
*Town Justice*

**Rita White**  
*Tax Collector*

**Pamela Sloate**  
*Tax Assessor*

Office of The State Comptroller  
110 State Street 15th floor  
Albany NY 12236

3/14/17

Dear Auditor,

I am responding to your Audit number 2016M-350.

Overall I believe we experienced a good audit. The auditor helped us identify deficiencies in our reporting systems and ways to improve. Since recently elected to the position of Town Supervisor, I was unable to answer the majority of the questions nor did I understand the full extent of everyone's responsibilities. The Auditor took the time to explain how we could improve and many items have been corrected. We still have several to go. My major concern when dealing with money is accountability of the money. We are not losing money, but, need to tighten up some of our procedures to prevent future loss and accurate accounting.

I addressed each item and what we are doing in that area.

Item 1 Review statutory requirements relating to the allocation of highway expenditures and ensure these expenditures are allocated in the proper fund in accordance with these requirements.

**In the past Highway funds were added to one account used throughout the year then balanced against the budgeted amount. We will still place the total amount in the one bank account. Now we will keep 2 balances on the account. One for inside the village, other for outside. These numbers will be added to the supervisor's report.**

Item 2 Ensure that complete and accurate monthly bank reconciliations are prepared by the supervisor and independently reviewed and approved.

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*Tax Collector*

**Pamela Sloate**  
*Tax Assessor*

**All town bank statements will be completed by one person and reviewed by another person and signed. All bank account statements with reconciliation information will be forwarded to the board for their review.**

Item 3 Ensure that the financial information presented in the AFR prepared by the Supervisor is accurate and supported by accounting records.

**The Town Bookkeeper will bring the accounting records up to date and be a valuable asset in maintaining the records in the future.**

Item 4 Annually audit, or cause to be audited, the financial records and reports of all town officers and employees who receive or disburse monies on behalf of the Town and document the results of its audit in the minutes.

**The Bookkeeper, Town Clerk, Court Clerk, Tax Collector, Code Officer, and Dog Catcher will have an audit scheduled annually. This will be added to the reorganization meeting agenda.**

Item 5 Ensure that the Town's accounting records are complete, accurate and maintained in a timely manner.

**The Town has hired a Bookkeeper who will add the town's accounting records to [REDACTED] Reports will be standardized for all accounts.**

Item 6 Prepare and provide the board with the complete and accurate monthly financial reports, including budget status report and reconciled cash balances for each fund.

**The Town Bookkeeper will add funds for the General and Highway accounts to [REDACTED]. Reports will be standardized for all accounts.**

Item 7 File the AFR with OSC in a timely manner.

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**The AFRs will be brought up to date maintained by the new Town Bookkeeper and reviewed by the Town Supervisor.**

Item 8. Obtain necessary financial training to prepare accurate financial records and reports. A list of training offered by OSC can be found at:  
<http://www.osc.state.ny.us/localgov/academy/index.htm>

**Training is ongoing.**

Item 9 The Highway Superintendent should Document the work performed by highway employees and provide that information to the Supervisor so payroll costs can be properly allocated between the town wide highway and the part town highway funds.

**The Highway Supervisor was briefed on the proper use of the town wide and the outside the village budget requirements. He will document the time cards with the code DB for Town wide labor or DA winter snow plowing.**

Item 10. Adopt resolutions when authorizing installment purchase contracts that reference the evaluation of financing alternatives and set forth the specific reasons why the Board has determined that it is in the Town's best interest.

**This step will be added to the Town's Purchasing Policy.**

Item 11. Perform a thorough and deliberate audit of claims ensuring that all claims are supported by adequate documentation and represent valid Town expenditures prior to approving them for payment.

**All claims will be added to a Voucher and the monthly audit form. The Town Clerk will complete the Audit Form. The Audit forms will be reviewed by the Bookkeeper and Town**



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*Tax Assessor*

**Supervisor prior to being presented to the board for their review. All Board members present at the monthly Board Meeting will review all purchases.**

Item 12. Ensure that purchase and public works contracts exceeding the statutory competitive bidding thresholds are executed in compliance with GML.

**The Town's purchasing policy will be updated to include the limits.**

Item 13. Solicit and evaluate financing options for machinery, equipment or apparatus purchases that are financed.

**This step will be added to the Town's Purchasing Policy.**

Item 14. Ensure that no claim against the Town, other than those allowed under Town Law, is paid prior to the Board's audit and approval.

**All payments made prior to the Board's approval will accompany a voucher that will include why the prepayment is prior to board approval.**

Item 15. Ensure that receipts are issued in sequence for all collections received and that the collections are deposited within 72 hours from the date of receipt, excluding Sundays and holidays.

**A three part receipt book was issued to each Judge and Clerk with these instructions. All efforts will be made to deposit all funds into the bank on time.**

Item 16. Attach supporting documentation to the validated deposit receipts to support the deposits that are made and provide the Court clerk with this documentation so she can ensure that all collections are deposited.

# TOWN OF MOIRA

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*Tax Assessor*

**Each bank account holder is responsible for their bank reconciliations. Upon completion of the bank reconciliation a copy will be sent to the supervisor for review. These bank reconciliation reports will be forwarded to the board for their review.**

Item 17. Ensure that collections are physically secured prior to deposit and that access to collections is limited.

**The court clerk was instructed to secure all funds.**

Item 18. Ensure that bank reconciliations and accountability analyses are prepared monthly whereby known liabilities are reconciled to available cash, and promptly investigate and resolve any discrepancies.

**Bank reconciliations are to be performed monthly and turned into the supervisor for review. These Bank Reconciliation reports will be forwarded to the board for their review.**

Item 19. Establish written policies and procedures to ensure that traffic tickets that are unresolved after 60 days are enforced by being reported to the DMV scofflaw program.

**The Court is documenting this process.**

Item 20. Reimburse his account for the \$172 cash shortage that was identified in this report and take other appropriate actions to make the amount of cash on hand and on deposit in his bank accounts agree with the amounts due to the JCF and outstanding bail.

**Reimbursement have been completed. In the past, bank accounts were passed from Judge to Judge with no reconciliation. We have balanced the shortage in this account and have created a bail account for each judge. These accounts will be balanced against court records and sent to the Town Supervisor for monthly review.**

# TOWN OF MOIRA

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*Town Clerk*

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*Town Justice*

**Rita White**  
*Tax Collector*

**Pamela Sloate**  
Tax Assessor

Item 21. Reimburse the \$108 cash shortage that was identified in this report.

**Reimbursement have been completed. In the past, bank accounts were passed from Judge to Judge with no reconciliation. We have balanced the shortage in this account and have created a bail account for each judge. These accounts will be balanced against court records and sent to the Town Supervisor for monthly review.**

Item 22. Take appropriate actions to recover any assets and dispose of any outstanding liabilities related to Justice Pelkey's financial activities.

**A review was completed and determined it is not cost effective to take action. In the future, monthly reconciliations will be conducted by the Supervisor and Board.**

Barry Dabiew  
Moira Town Supervisor

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

To achieve our audit objectives and obtain valid evidence, we performed the following procedures:

- We interviewed Town officials and the former Supervisor and reviewed various financial records and reports related to the Town's financial operations to gain an understanding of the Town's procedures for maintaining accounting records, preparing bank reconciliations, reporting financial transactions and auditing of claims.
- We reviewed the Town's accounting records during our audit period to determine whether separate accounting records including assets, liabilities, fund equity, revenues and expenditures were maintained for each fund.
- We reviewed 10 revenue accounts and 10 expenditure accounts that were recorded in the Town's accounting records as of December 31, 2015 to determine whether they were adequately supported and recorded in the proper funds. Our samples consisted of the five largest revenue and expenditure accounts recorded for the town-wide general fund and the largest revenue account and expenditure account recorded for the part-town general fund, town-wide highway fund, part-town highway fund, special lighting district and special fire protection district.
- We selected a random sample of three months during our audit period (April and December 2015 and April 2016) to determine whether monthly bank reconciliations were prepared, the bank reconciliations agreed with the checkbook registers and the bank reconciliations were independently reviewed.
- We assessed the adequacy of the monthly financial reports the Supervisor provided to the Board during our audit period.
- We reviewed a random sample of three monthly financial reports (April and December 2015 and April 2016) the Supervisor provided to the Board during our audit period to determine whether the financial information reported was complete and accurate.
- We determined whether the Town's 2014 and 2015 AFRs were filed with OSC within the established time frames and provided to the Board.
- We reviewed 10 revenue accounts and 10 expenditure accounts reported on the Town's 2014 AFR to determine whether they were adequately supported and recorded in the proper funds. Our samples consisted of the five largest revenue and expenditure accounts reported for the town-wide general fund and the largest revenue account and expenditure account reported for the part-town general fund, town-wide highway fund, part-town highway fund, special lighting district and special fire protection district.
- We reviewed all cash accounts reported on the Town's 2014 AFR to determine whether they were properly recorded and adequately supported.

- We interviewed Town officials and the former Supervisor and reviewed Board minutes and annual audit documentation to find evidence that the Board had audited the financial records and reports of all Town officers and employees who received or disbursed money on behalf of the Town during the 2015 fiscal year.
- We reviewed all five commodity and equipment purchases that the Town made during our audit period that exceeded the competitive bidding thresholds to determine whether they were purchased in accordance with GML. For any purchases that were not made in accordance with GML, we attempted to compare the price paid by the Town to an applicable State contract price to determine whether the Town could have made the purchases through State contract pricing for less.
- We reviewed all three installment purchase contracts that the Town entered into during our audit period to determine whether the Board evaluated financing alternatives prior to entering into the contracts.
- We reviewed a random sample of 50 check disbursements that were made to pay claims during our audit period to determine whether the corresponding claims were supported by adequate documentation, for appropriate Town purposes and audited and approved prior to payment. We used a computerized random number generator to select 25 accounts payable checks that were issued from both the general fund and highway fund checking accounts during our audit period. We also reviewed all 69 check disbursements that were made to pay claims to Town employees during our audit period for the same purposes.
- We interviewed Justice Durant, Justice Pelkey and the Court clerk. We reviewed various financial records and reports related to the Court's financial activities to gain an understanding of the internal controls over the Court's financial operations and any associated effects of deficiencies in those controls.
- We reviewed a random sample of three months of manual receipts that were issued for each Justice during our audit period (July and November 2015 and February 2016 for Justice Durant and March, July and December 2015 for Justice Pelkey) to determine whether the corresponding collections were deposited timely and intact and reported to the JCF, excluding collections for bail.
- We selected a random sample of three months for each Justice (March and July 2015 and January 2016 for Justice Durant and February, May and October 2015 for Justice Pelkey) during our audit period to determine whether monthly bank reconciliations were prepared and if the bank reconciliations agreed with the Justices' checkbook registers.
- We prepared accountability analyses for each month during January 1, 2014 through April 30, 2016 for Justice Durant's bank accounts and for each month during January 1, 2014 through December 31, 2015 for Justice Pelkey's bank account to determine whether the corresponding assets agreed with the known liabilities. We then investigated and documented any differences that were disclosed.
- We reviewed a random sample of 25 cases with a violation date between January 1, 2015 and March 1, 2016 from a report from DMV of all pending UTTs (pending-ticket report) as of

April 30, 2016 to determine whether the Court was enforcing the payment of unresolved traffic tickets in a timely manner through DMV's scofflaw program.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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