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April 5, 2013

Mr. Patrick Dewey, Mayor  
Members of the Board of Trustees  
Village of Victory  
23 Pine Street  
Victory, NY 12884

Report Number: 2010M-35-F

Dear Mr. Dewey and Members of the Board of Trustees:

One of the Office of the State Comptroller's (OSC) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage Village officials to reduce costs, improve service delivery and to account for and protect their Village's assets. In accordance with these objectives, we conducted an audit of the Village of Victory (Village) to assess the financial operations of the Village. As a result of our audit, we issued a report, dated August 2010, identifying certain conditions and opportunities for the Village management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Village in February 2013 to review its progress in implementing our recommendations. Our follow-up review was limited to interviews with Village personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Village has made limited progress in implementing our recommendations. Of the eight audit recommendations, two recommendations were implemented, four recommendations were partially implemented and two recommendations were not implemented.

#### **Recommendation 1 – Annual Audits**

The Board should annually audit, or cause to audit, the Clerk-Treasurer's financial records and reports.

Status of Corrective Action: Not Implemented

Observations/Findings: According to one of the Trustees, this recommendation was discussed by Village officials after the issuance of the audit report in 2010; however, the recommendation has not been implemented. According to the Clerk-Treasurer, for the last completed fiscal year,

2011-12, one of the Trustees reviewed records of cash disbursements and the related spreadsheets, which contain data of monthly revenues and disbursements by account code, but records of cash receipts and revenues were not reviewed. Furthermore, although the Board obtained the services of a CPA firm to assist with preparation of the annual report to OSC, this is not considered an annual audit of the Clerk-Treasurer's records as noted in our 2010 audit report.

### **Recommendation 2 – Install a Proper Financial Accounting System**

The Board should install a proper financial accounting system and ensure that the Clerk-Treasurer receives training to use it.

Status of Corrective Action: Not Implemented

Observations/Findings: According to the Clerk-Treasurer and our review of 2012-13 fiscal year financial records, the Village continues to use the same accounting procedures that were identified in the 2010 audit. The accounting software is only used to process payroll and cash disbursements; the Clerk-Treasurer doesn't maintain a general ledger or use the other modules available in the accounting software (e.g., cash receipts, budgeting). Revenue and expenditure data are tracked on separate spreadsheets instead of being posted to the accounting software, which would facilitate the preparation of budget status reports, balance sheets, trial balances, and other financial information useful to the Board. According to the Clerk-Treasurer, the plan is for her to consult with the CPA firm that assists the Village with the preparation of the Village's annual report about integrating the modules.

### **Recommendation 3 – Periodic Financial Reports**

The Board should establish policies and procedures that require the Clerk-Treasurer to account for the Village's financial operations and submit periodic financial reports to the Board.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board has not established a formal written policy; however, the Clerk-Treasurer now follows informal procedures for submitting reports to the Board. We reviewed the Clerk-Treasurer's reports that she submitted to the Board during the 2012-13 fiscal year. She submits reports on a monthly basis which include cash receipts and disbursements, a check listing, a payroll report, and the current amount of fund balances. Although the Village has improved in this area, the Board still doesn't receive additional useful financial reports like budget status reports, balance sheets, and trial balances. The Clerk-Treasurer is unable to readily produce such reports because the Village has not yet implemented Recommendation 2.

### **Recommendation 4 – Submit Timely Annual Reports to OSC**

The Board should ensure that the Clerk-Treasurer submits the annual report to OSC in a timely manner.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Village contracted with a CPA firm to assist in submitting financial reports to OSC. At the time of our 2010 audit, the Village had not filed its annual reports for multiple years. Currently the Village is delinquent on the submission of only one report, for the fiscal year ended May 31, 2012. The Clerk-Treasurer said that using the full capabilities of the financial accounting software (when actually implemented) will facilitate and improve the preparation and timely submission of the annual financial reports.

### **Recommendation 5 – Cash Receipt Records and Reports**

The Board should establish policies and procedures that require the Clerk-Treasurer to maintain adequate records of all cash receipts and provide regular cash reports to the Board.

Status of Corrective Action: Partially Implemented

Observations/Findings: Although the Board did establish a cash receipts policy, it did not specifically address a requirement that the Clerk-Treasurer submit regular cash reports to the Board. In practice, the Clerk-Treasurer does submit regular reports to the Board that include a summary of cash receipts and disbursements. A computer printout of check registers is also submitted.

### **Recommendation 6 – Cash Receipts**

The Clerk-Treasurer should issue sequentially numbered receipts in the absence of other source documentation to support the collection of money. The Clerk-Treasurer also should ensure that all receipts are recorded accurately and timely.

Status of Corrective Action: Partially Implemented

Observations/Findings: Sewer rents and property tax collections are recorded in a stand-alone computer program and also recorded on hand-written logs. Computer-generated receipts are only provided to those who pay their sewer rents and property taxes in person and request them. Sales of trash stickers are recorded in a hand-written log, and the Village issues sequentially numbered cash receipts to those who pay with cash but not to those who pay by check. Thus, there is no source documentation to support non-cash receipts for the sale of trash stickers. We scanned the 2012-13 fiscal year records and found that the Clerk-Treasurer now records the composition of collections (checks and/or cash) in the hand-written logs. For the test month of November 2012, we reviewed cash receipts for trash stickers, sewer rents, sales and mortgage taxes, franchise fees, and other clerk fees to determine if they were recorded accurately and timely. We found that the transactions as recorded in the source documentation (e.g., trash sticker log, computer records for sewer rents) were generally adequately detailed and timely.

### **Recommendation 7 – Audit of Claims**

The Board should ensure that the Clerk-Treasurer submits all claims to the Board for audit and approval.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Clerk-Treasurer now submits all claims for approval, including those claims which she is authorized to pay prior to audit. We scanned records of the 2012-13 fiscal year and found that the Mayor generally doesn't sign claim vouchers and abstracts; however, the two Trustees do approve and sign the claim vouchers, and the Board meeting minutes indicate that the Trustees vote to approve the abstracts and the payment of claims. For the test month of November 2012 we reviewed claims vouchers, abstracts, and separate documentation of claims paid prior to Board audit for accuracy and agreement and found no exceptions.

**Recommendation 8 – Abstracts**

The Board should ensure that the Clerk-Treasurer provides abstracts to the Board, and the Mayor for his signature, before the claims have been audited.

Status of Corrective Action: Fully Implemented

Observations/Findings: Our review of 2012-13 fiscal year records and Board meeting minutes found that the Clerk-Treasurer provides abstracts to the Board and the Mayor. One computer-generated form lists the claims that were approved at the prior meeting and indicates that they were paid, along with other claims that she is authorized to pay prior to audit. Another computer-generated form lists the claims not yet paid which require audit and approval. We reviewed the claim vouchers, abstracts, and Board meeting minutes for accuracy for the test month of November 2012 and found no exceptions. The Mayor doesn't sign the abstracts; however, the two Trustees sign the abstracts and approve the claim vouchers. The Clerk-Treasurer also submits a cash disbursement report and a check register for review.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements in your fiscal management.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Jeffrey Leonard, Chief Examiner of our Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Andrew A. SanFilippo  
Executive Deputy Comptroller  
Office of State and Local Government Accountability