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December 20, 2013

John Cahill  
Members of the Board of Trustees  
Village of Webster  
28 West Main Street  
Webster, NY 14580

Report Number: 2012M-110-F

Dear Mayor Cahill and Members of the Board of Trustees:

One of the Office of the State Comptroller's 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. The Office also works to develop and promote short-term and long-term strategies to enable and encourage Village officials to reduce costs, improve service delivery and account for and protect Village assets. In accordance with these objectives, we conducted an audit of the Village of Webster (Village) to assess its financial operations. As a result of our audit, we issued a report, dated October 2012, identifying certain conditions and opportunities for Village management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Village on September 30, 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 continued to make significant progress implementing corrective action. Of the eight audit recommendations, seven recommendations were implemented, and one recommendation was partially implemented.

### **Recommendation 1 – Policies for Operations**

The Board should establish written policies for Village operations related to cash receipts/disbursements, budgeting, payroll/maintenance of leave records and information technology.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted a budget policy on September 27, 2012. On October 2, 2012, the Board adopted policies for cash receipts, cash disbursements, payroll and

maintenance of leave records, and a disaster recovery plan.<sup>1</sup> The Board could further strengthen the disaster recovery plan by identifying a potential relocation site other than a Village building<sup>2</sup> and determining the computer equipment that will be available for use.

### **Recommendation 2 – Claims Audit**

The Board should continue to audit and approve all individual claims prior to payment and ensure that payments are made in compliance with all applicable Village policies.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board continues to audit and approve claims prior to payment after review by a committee comprising two Board members. We reviewed Board minutes and a sample of claims and found that the Board minutes identified the two members that individually reviewed the claims and that the claims contained signatures of approval. We also found that the Village has improved practices to ensure that credit card purchases comply with the purchasing policy, and purchases requiring purchase orders and quotes have signed attached supporting documentation. The Village has not had any disbursements for education reimbursements since our audit report was released.

### **Recommendation 3 – Approval of Pay Rates and Benefits**

The Board should formally authorize and approve salaries, wage rates and employee benefits for all Village officials and employees and document the approvals in the Board minutes on at least an annual basis.

Status of Corrective Action: Fully Implemented

Observations/Findings: On April 12, 2012, the Board adopted a salary/pay rate schedule for fiscal year 2013-14; the approval of the schedule was documented in the Board minutes. The schedule lists all salaries, stipends or pay rates for all individuals per pay period (i.e., quarterly or bi-weekly). We reviewed the schedule and found that it included the positions of planning/zoning board members, band directors and the historian, who were specifically identified in the report for a lack of formal authorization.

We also found that the December 27, 2012 Board minutes documented the Board's approval of the funding of all health savings accounts (HSA). Additionally, any changes throughout the year that require additional funding of HSA accounts, such as a change in marital status, were also approved by the Board and documented in the Board minutes.

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<sup>1</sup> The remaining Information Technology related policy that had not been previously addressed

<sup>2</sup> The plan currently lists the Village municipal offices, sewage treatment plant and water plant as potential relocation sites.

#### **Recommendation 4 – Budgeting and Financial Management**

The Board should continue to improve its budget process to ensure it adopts more realistic annual budgets and then monitor actual revenues and expenditures against the budget throughout the year, using required timely and accurate monthly financial reports, and authorize necessary budget amendments in a timely manner.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board has continued to improve its budget process, in part by adopting a budget policy on September 27, 2012 and a fund balance policy on March 28, 2013. The Clerk and Treasurer stated that improvements to the budget process include following the prescribed timeline, soliciting department head input, clearly tracking different amended versions of the budget and having an official certified budget.

The Board has also improved its monitoring of the budget throughout the year. The Treasurer provides the Board with a monthly detailed budget-to-actual report for receipts and disbursements that includes the original budget, adopted budget, current month and year-to-date total, and the dollar amount and percent collected/expended per line item. We also reviewed the Board minutes and found that the Board accepted the financial report each month and regularly approved budget transfers throughout the year.

In addition, we reviewed the fiscal year 2012-13 operating results. In 2012-13, the water fund experienced an operating surplus that has continued to help improve the water fund by decreasing the unassigned fund balance deficit from \$136,703 to \$76,470.

#### **Recommendation 5 – Payroll and Leave Records Procedures**

The Board should establish procedural guidance for the employees responsible for preparing payroll and maintaining leave records.

Status of Corrective Action: Partially Implemented

Observations/Findings: On October 2, 2012, the Board adopted a policy for payroll and maintenance of leave records. This policy includes procedural guidance for preparing payroll but does not include sufficient procedural guidance for maintaining leave records. The policy states that leave will be recorded within a month of being earned or used. It also states that the Treasurer will review the records quarterly for accuracy and forward errors to the Clerk for correction. However, there are no specific details on the type of records to be maintained, the process for ensuring leave time is accrued according to the employee handbook and union contract, or the specific procedures to be used by the Treasurer when reviewing the leave records.

## **Recommendation 6 – Accurate Leave Records**

The Board should ensure that the Clerk maintains accurate leave records and obtains appropriate approvals, in accordance with Village policies, before the Treasurer makes payments for unused accrued leave.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Treasurer is reviewing and reconciling the leave records on a quarterly basis. As a result of the review, errors and discrepancies have been identified, and the leave records were updated to reflect accurate balances. The Board also receives a monthly compensatory time and overtime report to monitor the time used and remaining balances.

We reviewed payroll journals for payments of unused leave time and identified two payments: one sick leave payout and one payment for unused leave at separation. We found the payments had appropriate approvals, were supported by leave records and followed the authorizations and criteria in the employee handbook and union contract.

## **Recommendation 7 – Financial Records**

The Treasurer should maintain adequate, timely and reliable financial records and reports.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed financial records, reports and bank reconciliations and found that the Treasurer is maintaining adequate, timely and reliable financial records and reports.

The Treasurer recorded journal entries in a timely manner, including those for cash receipts that required a separate journal entry. The printout of the journal entry included supporting documentation when appropriate, such as Board minute authorizations, detail from bank transfers, listed amount of warrant for bill pay or an interest allocation schedule for the commingled bank account. The Clerk also reviewed the Treasurer's entries and documentation.

Bank reconciliations were prepared by the Treasurer and reviewed by the Clerk. Bank reconciliations were up-to-date and contained sufficient detail, including an attached general ledger documenting the book balance used in the reconciliation.

## **Recommendation 8 – Cash Receipts**

The Clerk and Treasurer should evaluate current cash receipt recording practices and ensure that receipts are recorded as they are received and deposited in a timely manner.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Clerk and Treasurer stated that the cash receipts process was one of the first processes they reviewed and subsequently reorganized. On October 2, 2012, the Board formally adopted a cash receipts policy. The Village also recently started using new software for invoices and cash receipts for dumping fees. This program provides more controls over invoices and tracking receivables and interfaces with the accounting system so these cash receipts can be properly recorded in the financial software in a timely manner. For miscellaneous cash receipts that cannot be entered regularly in the cash receipts software, we reviewed the journal entries and found that the Treasurer recorded these receipts in a timely manner. We also reviewed a sample of cash receipts reports, supporting documentation, duplicate deposit tickets, bank receipts and bank statements and found that receipts appear to be recorded and deposited in a timely manner.

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.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Edward V. Grant, Jr., Chief Examiner of our Rochester Regional Office, at (585) 454-2460.

Sincerely,

Gabriel F. Deyo