

Village of Canton

Clerk-Treasurer's Records and Reports

NOVEMBER 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Village of Canton

Audit Objective

Determine whether the Village of Canton (Village) Clerk-Treasurer maintained complete, accurate and up-to-date accounting records and reports.

Key Findings

This audit contains similar findings and recommendations to our 2012 audit of the Village. The same Clerk-Treasurer was in office for both audits. We found:

- The accounting records were not complete, accurate and reliable, in part because the Board did not develop policies and procedures to ensure the records were properly maintained. For example, as of May 31, 2020, the Village's pooled cash accounts were out of balance by \$942,592.
- Proper bank reconciliations were not performed and total cash in the accounting records was overstated by about \$142,500 due to various accounting errors, including errors that were carried forward from 2013.
- Annual financial reports were not filed with the Office of the State Comptroller (OSC) for 2017-18, 2018-19, 2019-20, as required.
- The Board was not provided with adequate monthly financial reports and did not annually audit the Clerk-Treasurer's records and reports, as required.

As a result, the Board's ability to monitor the Village's financial affairs and financial condition is inhibited.

Key Recommendations

- Maintain proper accounting records and file required annual financial reports timely.
- Audit the Clerk-Treasurer's records and reports as required.

Village officials generally agreed with our recommendations and have initiated or indicated they plan to initiate corrective action.

Background

The Village is located in the Town of Canton (Town) in St. Lawrence County (County). The Village provides various services to its residents including: street maintenance and improvements, snow removal, police, fire, recreation, water and sewer services as well as general government support.

The Village is governed by an elected Board composed of a Mayor and four Trustees. The Board is responsible for the overall management and oversight of Village operations. The Mayor is the chief executive officer.

The Board-appointed Clerk-Treasurer is the chief fiscal officer and custodian of all funds, responsible for receiving and disbursing moneys, maintaining accounting records and preparing monthly and annual financial reports.

Quick Facts

2020-21 Expenditures \$5.87 million

5/31/20 Cash in Bank \$4.25 million

Annual Financial Report Filings

| Year | Filed (Yes/No) | Days Late as of 7/31/21 |
|---------|----------------|-------------------------|
| 2017-18 | No | 1,095 |
| 2018-19 | No | 730 |
| 2019-20 | No | 364 |

Audit Period

June 1, 2019 – December 31, 2020

We extended our audit period to July 31, 2021 to determine whether delinquent annual financial reports were filed.

Clerk-Treasurer's Records and Reports

A board is responsible for the overall management of a village, including establishing internal controls such as policies and procedures to provide reasonable assurances that cash and other resources are properly safeguarded; transactions are properly recorded; financial reports are accurate, reliable and filed in a timely manner; and duties are adequately segregated.

A clerk-treasurer is required to keep a complete and accurate account of receipts and disbursements of all money using proper accounting procedures. Although some financial duties can be delegated, a clerk-treasurer is responsible for providing sufficient oversight to ensure accurate and timely accounting records are maintained.

The Board appointed two deputies to assist the Clerk-Treasurer with her recordkeeping duties. The Deputy Clerk is responsible for bank reconciliations, cash receipts, and the water and sewer billing. The Deputy Treasurer is the direct back up for the Clerk-Treasurer and is mainly responsible for receiving mail, processing payroll and claims. The Clerk-Treasurer is responsible for signing checks and the Deputies can both co-sign the checks.

We audited the Village in 2012 and found the Clerk-Treasurer, who is still in office, did not maintain accurate accounting records or file timely annual financial reports, and the Board did not conduct an annual audit of the Clerk-Treasurer's records. Refer to our report Village of Canton - Internal Controls Over Records and Reports and Financial Condition (2012M-90) issued in August 2012. This audit for 2021 contains similar findings and recommendations as the 2012 audit.

How Should a Clerk-Treasurer Maintain Accurate Accounting Records?

A clerk-treasurer should ensure a village's financial records are complete, accurate and current to be relevant and useful for board members and other officials to manage village operations properly. Accounting records provide a basis for checks and balances and determining whether village funds are being appropriately accounted for.

It is important that monthly bank reconciliations are prepared in a timely manner for all bank accounts and adjusted bank account balances agree with the cash balances in the accounting records (records). An adjusted bank balance is determined by adding deposits in transit and subtracting outstanding checks (and other pending charges) from the bank balance as of a certain date. Any discrepancies between adjusted bank balances and recorded cash balances should be promptly investigated and corrected in a timely manner to ensure cash balances are accurate and all cash activity is properly recorded.

When temporary advances of cash are made from one fund to another, the amounts recorded as interfund receivables should equal the amounts recorded as interfund payable and all accounts should have positive balances.

Cash Balances in the Records Were Not Accurate

The cash balances in the records were not accurate and as of May 31, 2020, the total recorded cash balance in the records exceeded the total adjusted bank balances by about \$142,500. The Clerk-Treasurer did not provide adequate oversight of the bank reconciliations performed by the Deputy Clerk, allowing the discrepancies between the records and adjusted bank balances to not be addressed and corrected.

Checking Accounts – The Village has 22 checking accounts. Included in these accounts are four main checking accounts with routine transactions: general fund, Trust and Agency Fund, joint activity fund (recreation), golf fund. We reviewed bank reconciliations for all checking accounts as of May 31, 2020 and found the general fund bank account (used for general, water and sewer fund activity) and Trust and Agency Fund account were not properly reconciled. We prepared reconciliations for these two accounts. For the general fund account, we found the adjusted bank balance was \$99,890 less than the total of the respective recorded cash balances. For the Trust and Agency Fund, we found the adjusted bank balance exceeded the recorded cash balance by \$74,413.

These differences resulted from seven-year-old outstanding items that were not cleared in the records and were still reflected in the monthly bank reconciliations. For example, the May 31, 2020 general fund bank reconciliation incorrectly showed three deposits in transit totaling \$100,816 from 2014. The Clerk-Treasurer told us the deposits showing in the bank reconciliation were duplicate receipt entries from the old computerized financial system that should be removed from the recorded cash balances. Therefore, the duplicate receipts in the records are not actual deposits in transit expected to clear the bank. The Village transitioned to the current computerized financial system in April 2016. However, no corrections have been made to fix the errors.

In addition, the Trust and Agency Fund bank reconciliation included various adjustments for electronic fund transfer deductions totaling \$100,152 from 2013 through 2016 that were not properly recorded in the cash account. This same fund also included multiple payroll corrections that need to be removed from the recorded cash balance. These discrepancies were carried over for years in the records and in the reconciliations without investigation and timely correction. The Clerk-Treasurer told us she does not conduct a regular review of bank reconciliations prepared by the Deputy Clerk and she does not know how to correct or account for the old cash activity included in the recorded cash balances

(Also see the section entitled “The Deputy Clerk’s Duties Were Not Adequately Segregated”).

Money Market Account – There were seven cash accounts in the records totaling \$115,273 that did not have a corresponding bank account as of May 31, 2020. It appears that at least some of these cash accounts relate to a Village money market account that was closed on May 28, 2020 when the \$406,846 balance in the account was transferred to the general fund checking account.

The Clerk-Treasurer initially told us the cash balance in the money market account was not included in the accounting records before the bank account was closed. She provided us with a separate spreadsheet she maintained to track the account balance and interest earnings outside of the accounting records. The spreadsheet split the cash balance between different types of funds (e.g., three capital projects, a tax stabilization fund, and water, sewer and golf funds).

Although the Clerk-Treasurer said the money market bank account was not reflected in the accounting records, we found that some of the cash accounts included in the spreadsheet had similar balances and account names to the cash accounts in the accounting records. However, not all cash balances in the spreadsheet agreed with the accounting records, and the Clerk-Treasurer could not explain why. The Clerk-Treasurer prepared a journal entry to record the deposit of the \$406,846 into the general fund bank account when the money market account was closed in May 2020. As a result of this entry, cash was added to the general fund and the Clerk-Treasurer lost the identity of the various funds previously tracked on the spreadsheet. Also, various money market cash account balances remained in the accounting records even after the bank account was closed.

These discrepancies occurred and were not detected because the Clerk-Treasurer did not ensure that all Village cash accounts were properly recorded in the accounting records and that all cash account balances reflected in the accounting records were included in the monthly bank reconciliations performed by the Deputy Clerk. Also, there was no supervisory review of the bank reconciliations to ensure they were done properly and that all differences were appropriately identified and resolved.

Accounting Records Were Not Reliable

The Board did not develop policies and procedures to ensure that the Village’s accounting records and reports were complete, accurate and up to date. In addition to the differences between adjusted bank account and cash balances in the accounting records, we found many errors and inaccuracies in the accounting records, including the following:

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- The due from other funds balance (interfund receivable) should always be equal to the total due to other funds balance (interfund payable). However, as of May 31, 2020, the total interfund loans receivable exceeded the total interfund loans payable for all funds by \$136,242. These differences primarily occurred prior to our audit period. During our audit period, we found an interfund receivable entry posted on February 3, 2020 totaling \$15,000 for a retirement payment from the general fund for the golf fund. However, there was no corresponding interfund payable entry in the golf fund. In addition, the general fund showed two negative interfund receivables totaling (\$68,943) and the sewer fund showed a negative interfund payable totaling (\$16,250). These accounts should not have negative balances.
 - The Village utilizes a pooled cash system for paying bills and payroll, and uses the Trust and Agency Fund and its associated bank account to perform this function. When bills and payroll for each fund are entered in the computerized financial system for payment, an automatic entry for the total cash needed for payment is posted in two accounts, the Participation in Trust and Agency Fund account and the Due to Other Funds account. When the bills and payroll are paid, the entry is automatically reversed, and no balance should remain in the accounts.

We reviewed entries made to these two accounts during the audit period and found the activity in these accounts and their totals equaled and zeroed out. However, the May 31, 2020 balances for each account showed the Trust and Agency Fund, Due to Other Funds account balance was \$942,592 more than the Participation in Trust and Agency Fund accounts.

These differences originated prior to our audit period which the Clerk-Treasurer told us may go back as far as the 2015-16 fiscal year. The Clerk-Treasurer did not have a good understanding of how the pooled cash accounts work. Although the financial system can generate a pooled cash report that shows a comparison of the associated accounts and any differences that need to be investigated and corrected, the Clerk-Treasurer did not review the report or know what actions to take to investigate and correct any differences when the accounts were out of balance.

- The total ending balances in payroll deduction liability accounts, for all funds, equaled \$389,918 as of May 31, 2020. The payroll deduction liabilities recorded during our audit period were properly reduced (zeroed out) when paid. However, the total ending liability account balance of \$389,918 has been carried in the records since the 2018-19 fiscal year. The Clerk-Treasurer could not explain why the liabilities from the prior year continue to be reflected in the records and could not provide support for the liability account balances reported.

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- The restricted cash for reserves balance should match the amount of fund balance restricted for reserves. The general fund balance sheet shows a reserve for tax stabilization of \$90,093 as of May 31, 2020, but there was no corresponding restricted cash account for the reserve fund. This is one of the accounts on the Clerk-Treasurer's money market account spreadsheet that lost its identity when the bank account was closed and transferred to the general checking account. Also, the water fund has a cash, special reserve balance of \$14,719 as of May 31, 2020, but the corresponding reserve fund balance equaled \$34,313.

Although the Clerk-Treasurer told us she reviews a balance sheet report every two months, she does not know how to fix the negative or incorrect balances in the records. In addition, she explained she received training on the current computerized financial system when the Village obtained it in 2016, but she has not received any additional training on the system since that time. She said she is not familiar with all aspects of the system and does not have time to devote to learning it and making the needed changes to correct balances reported.

Furthermore, the Village hired a CPA firm in 2017 to assist with filing the Village's 2015-16 and 2016-17 Annual Update Document (AUD). As part of the review, the firm provided the Village with adjusting journal entries to correct erroneous balances in the accounting records. However, the Clerk-Treasurer told us she made some of the CPA's suggested entries in the records, but she was not sure which entries she posted. She also reversed some of the entries she previously entered, trying to correct account balances, which may have caused inaccuracies and/or discrepancies with some of the balance sheet account balances described above.

When these additional errors in the records are combined with inaccurate cash balances, there is limited to no assurance that cash activities (e.g., cash receipts and disbursements) and balances are being recorded and reported accurately (see testing in the Segregation of Duties section). It also increases the risk of improper cash transactions or bank errors occurring, going undetected and uncorrected and hinders the accuracy and timeliness of financial reports necessary for the Board to make informed decisions regarding the Village's financial operations.

What Reports Are Needed to Manage a Village's Finances?

A clerk-treasurer should provide monthly financial reports to the board that summarize receipts and disbursements for each fund. These reports should also include budget-to-actual comparisons of revenues and expenditures for each fund and a balance sheet report that reflects reconciled cash balances and other assets and liabilities, including interfund receivables and payables. Complete

and accurate financial reports allow a board to monitor village financial affairs throughout the year.

A clerk-treasurer is also required to file an annual report of the village's financial position and results of operations, known as the AUD, with OSC within 90 days after the close of the fiscal year. This report provides the board, OSC, village taxpayers and other interested parties with a tool for monitoring financial operations.

The Clerk-Treasurer Did Not Provide Adequate or Timely Financial Reports

The Clerk-Treasurer provided the Board with monthly budget-to-actual comparisons of revenues and expenditures for each fund during the audit period. She did not provide the whole Board with a balance sheet report of reconciled cash balances and other assets and liabilities, or reports summarizing cash receipts and disbursements for each fund. The Clerk-Treasurer told us she only provided cash balances to the Mayor and another Board member responsible for reviewing monthly claims. However, all Board members told us they are unaware of the Village's cash balance and the amount of cash in the Village's bank accounts.

As a result of our findings and discussions with Board members, they requested the Clerk-Treasurer begin providing monthly balance sheet reports to the whole Board, including cash balances, during the course of our audit. Upon review of the most recently provided balance sheet reports dated May 19, 2021, we found the Clerk-Treasurer did not include the balance sheets for the joint recreation activity, capital project and Trust and Agency funds. In addition, the date of the report did not coincide with the date of the monthly budget-to-actual report and bank reconciliations dated April 30, 2021. As a result, the mid-month cash balances reported to the Board were not reconciled with the cash in the bank accounts, and the revenues and expenditures reflected in the two reports were not for the same time period.

In addition, the Clerk-Treasurer has not submitted the Village's AUDs to OSC or the Board for the last three completed fiscal years (2017-18, 2018-19, 2019-20). The Clerk-Treasurer told us she did not have time to complete the reports and got behind. We reported a lack of filing timely annual financial reports in our 2012 audit of the Village and issued a recommendation to the Board.

The lack of accurate monthly financial reports with reconciled cash balances inhibits the Board's ability to effectively monitor and manage the Village's financial operations throughout the year and evaluate the Village's financial condition. When the AUD is not filed in a timely manner, the transparency of Village operations is compromised and it leaves the Village without a means

to demonstrate its financial standing to the Board, taxpayers, OSC and other interested parties.

Village officials hired a consultant in April 2021 to assist with completing the three delinquent AUDs and to provide suggestions to improve the Village's use of its computerized financial system.

How Should Duties Be Segregated?

A board is responsible for establishing an internal control system that provides reasonable assurance that resources are being safeguarded. One component of good internal control is the proper segregation of duties to ensure that one individual does not control all phases of a transaction. It is important that key duties, such as cash collection, recordkeeping, preparing and making deposits and performing bank reconciliations, are segregated. If it is not practical to adequately segregate the financial duties, officials must establish compensating controls. Such controls could consist of reviews of cash related activity and transactions by someone independent of the process to ensure accuracy and completeness.

The Deputy Clerk's Duties Were Not Adequately Segregated

The Deputy Clerk handles all cash receipt duties, including receiving, recording and processing daily cash collections, depositing cash, and preparing bank reconciliations without adequate oversight. Neither the Clerk-Treasurer nor anyone independent of the cash and recordkeeping process reviews the bank reconciliations, daily cash ups or receipts received and deposited. In addition, the Deputy Clerk has access to the Village's cash in the bank and prepares, posts and can modify original journal entries without supervisory approval. The Clerk-Treasurer told us modifications to journal entries in the computerized financial system do not require prior administrator authorization. The Clerk-Treasurer told us the system cannot produce change reports to review journal entry modifications but explained she can review journal entries in the system at any time, although she does not routinely perform this review.

Because the Deputy Clerk's duties are incompatible and there is not adequate oversight, there is an increased risk that cash could be lost, stolen, or not deposited without detection.

In addition to reviewing bank reconciliations (see the previous "Cash Balances in the Records Were Not Accurate" section), we reviewed cash receipts totaling \$4.9 million and all bank transfers totaling \$1.1 million to determine whether they were deposited in appropriate bank accounts. We also reviewed a sample of journal entries that decreased cash, cash disbursements and bank withdrawals to determine whether they were paid as authorized, adequately supported and

for proper purposes. Refer to Appendix B for additional details on our audit testing. While our testing disclosed no significant exceptions or instances of fraud or abuse, it is important for the Board to provide additional oversight to ensure financial duties are properly segregated and the Village's recordkeeping practices are improved to help prevent and/or detect errors or irregularities that could occur.

How Should a Board Provide Oversight of a Clerk-Treasurer?

A board is required to conduct an annual audit, or have a village officer, employee or an independent public accountant, audit the clerk-treasurer's annual report and the supporting records. An annual audit serves as an important internal control over cash receipts and disbursement by providing independent verification that transactions are properly recorded, and cash is properly accounted for. This provides board members with an added measure of assurance that the financial records and reports contain reliable information on which to base financial decisions.

The Board Did Not Annually Audit the Clerk-Treasurer's Records and Reports

The Board did not audit, or provide for an audit of, the Clerk-Treasurer's records and reports. Officials told us they thought reviewing and approving claims satisfied the annual audit requirements.¹ We reported a lack of annual audit of the Clerk-Treasurer's records in our 2012 audit of the Village and issued a recommendation to the Board.

As a result of the Board's inaction to require an annual audit, the Board does not have adequate assurance that the Clerk-Treasurer properly accounted for all Village financial resources. Had the Board conducted an annual audit, it may have identified the Clerk-Treasurer's recordkeeping deficiencies and could have implemented corrective action.

What Do We Recommend?

The Board should:

1. Develop policies and procedures to ensure that monthly bank reconciliations are performed in a timely manner, and that the Village's accounting records and reports, as maintained by the Clerk-Treasurer, are complete, accurate and up to date.

¹ Refer to our publication *Fiscal Oversight Responsibilities of the Governing Board* available on our website at: https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/fiscal_oversight.pdf.

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2. Ensure the Board receives the necessary monthly reports from the Clerk-Treasurer that include all cash activity and balance sheet reports for each fund, to assist with monitoring and managing financial operations.
 3. Ensure duties are properly segregated and compensating controls are in place to prevent one individual from controlling all phases of a transaction.
 4. Ensure the Clerk-Treasurer submits timely AUDs to OSC and the Board.
 5. Conduct or arrange for an audit of the Clerk-Treasurer's records and reports on an annual basis.
 6. Identify potential financial training opportunities for the Clerk-Treasurer and her deputies.

The Clerk-Treasurer should:

7. Ensure bank reconciliations are complete and accurate and investigate and correct any differences between adjusted bank balances and recorded cash balances in a timely manner.
8. Review the pooled cash report and take action to investigate and correct any differences in a timely manner.
9. Regularly review and approve journal entries and document the review.
10. Ensure the balance sheet recordkeeping errors are corrected, including reestablishing the identity of the individual balances associated with the closed money market account, and ensuring the balances in the interfund receivables and payables are equal.
11. Provide adequate and complete monthly reports to the Board, including reports of cash receipts and disbursements for each fund, and month-end balance sheet reports with reconciled cash balances.
12. File the AUD with OSC within 90 days after the close of the fiscal year and ensure it is supported by the accounting records.
13. Ensure duties of the Deputy Clerk are adequately segregated, or implement effective compensating controls to provide sufficient oversight of the Deputy Clerk's duties related to cash receipts and bank reconciliations.

Appendix A: Response From Village Officials



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October 20, 2021

MDalton@cantonny.gov

██████████
Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor
Albany, New York 12236
Via email: ██████████

Re: Village of Canton, New York
2021M-101

Dear Ms. ██████████

I appreciate having had the opportunity to review with you the Report of Examination drafted following your audit of the Clerk-Treasurer's records and reports for the period from June 1, 2019 through July 31, 2021. Thank you also for meeting and sharing your findings with the members of the Village Board of Trustees.

We accept the draft report. While pleased to know that the Comptroller's office "*found no significant exceptions or instances of fraud or abuse*" (see last paragraph at Page 9 of the report), the Board is mindful of the report's findings. The draft report listed thirteen recommendations for the Board's consideration. Policies and procedures will be developed based on "*best practices*" for a village municipal office to implement the following corrective actions:

1. Recommendation #1:

The Board should develop policies and procedures to ensure that monthly bank reconciliations are performed in a timely manner, and that the Village's accounting records and reports, as maintained by the Clerk-Treasurer, are complete, accurate and up to date.

Corrective Action:

The Finance Committee of the Village Board of Trustees will be more active in overseeing the operations in the Clerk-Treasurer's office. They will meet monthly with the Clerk-Treasurer to ensure that all required records are complete and up to date.

2. Recommendation #2:

The Board should ensure that it receives the necessary monthly reports from the Clerk-

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Treasurer that include all cash activity and balance sheet reports for each fund, to assist with monitoring and managing financial operations.

Corrective Action:

The Finance Committee will work with the Clerk-Treasurer to develop reports that provide the monthly cash activity for each fund account, including starting and ending balances. The reports will be provided to the Board each month in advance of its regular monthly meetings, consistent with reporting requirements of the Comptroller's Office. This policy has already commenced.

3. Recommendation #3:

The Board should ensure duties are properly segregated and compensating controls are in place to prevent one individual from controlling all phases of a transaction.

Corrective Action:

The Finance Committee will work with the Clerk-Treasurer and office staff to develop procedures that ensure cross checking of transactions so no one individual controls all aspects of transactions.

4. Recommendation #4:

The Board should ensure the Clerk-Treasurer submits timely *AUD*'s to *OSC* and the Board.

Corrective Action:

██████████ is an accounting firm specializing in municipal accounting issues, with offices at ██████████. On October 7, 2021, the Board of Trustees authorized hiring ██████████ to complete the Village's past due annual financial reports (*AUD*'s) and ensure timely completion of all future *AUD* reports.

5. Recommendation #5:

The Board should conduct or arrange for an audit of the Clerk-Treasurer's records and reports on an annual basis.

Corrective Action:

The Clerk-Treasurer's records will be audited on an annual basis with the first scheduled audit to be performed by ██████████ upon completion of the prior *AUD*'s. The first recommended audit is expected to cover the 2021-2022 budget year.

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6. Recommendation #6:

The Board should identify potential financial training opportunities for the Clerk-Treasurer and her deputies.

Corrective Action:

The Finance Committee will identify training opportunities and will support continuing education for the Clerk-Treasurer and staff. Resources include but are not limited to those provided by the New York Conference of Mayors (NYCOM), [REDACTED], the Office of the New York State Comptroller.

7. Recommendation #7:

The Clerk-Treasurer should ensure bank reconciliations are complete and accurate and investigate and correct any differences between adjusted bank balances and recorded cash balances in a timely manner.

Corrective Action:

The Finance Committee will work with the Clerk-Treasurer to establish procedures that ensure these tasks are accomplished in a timely manner. Please refer to the corrective actions identified above in response to Recommendations #1 and #2.

8. Recommendation #8:

The Clerk-Treasurer should review the pooled cash report and take action to investigate and correct any differences in a timely manner.

Corrective Action:

The cited pooled cash account imbalance resulted from adjustments recommended by a previous accounting firm. The identified errors were carried forward from 2013, when the Village changed accounting software.

Bank reconciliations are current, and errors have been identified. The Village Board of Trustees will ask its new accounting firm, [REDACTED] to correct the pooled cash account imbalance as part of its completion of the first AUD that is due.

9. Recommendation #9:

The Clerk-Treasurer should regularly review and approve journal entries and document the review.

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Corrective Action:

The Finance Committee will work with the Clerk-Treasurer to establish procedures to ensure that review and approval of journal entries are timely accomplished and documented on a regular basis.

10. Recommendation #10:

The Clerk-Treasurer should ensure the balance sheet recordkeeping errors are corrected, including reestablishing the identity of the individual balances associated with the closed money market account, and ensuring the balances in the interfund receivables and payables are equal.

Corrective Action:

The Clerk-Treasurer maintained a money market account at [REDACTED]. The funds in the account were allocated to eighteen different projects. The Clerk-Treasurer maintained a spreadsheet showing the allocation of money market funds to specific projects, and the project totals comprised the full money market balance. The Board has received and reviewed the spreadsheet.

The money market account was closed in May 2020, and the funds were deposited to a General Water and Sewer account presently maintained [REDACTED]. The funds in this account are allocated between (a) General Funds; (b) Water; and (c) Sewer. The Clerk-Treasurer will reconcile the account's activity with her general ledger on a monthly basis. The Finance Committee will meet monthly with the Clerk-Treasurer to review her reconciliation. On a monthly basis, the Board will be provided with statements for the General Water and Sewer account, together with the Clerk-Treasurer's general ledger reconciliation. The Clerk-Treasurer attends the monthly meeting of the Board of Trustees, and will be available to explain and answer questions.

11. Recommendation #11:

The Clerk-Treasurer should provide adequate and complete monthly reports to the Board, including reports of cash receipts and disbursements for each fund, and month-end balance sheet reports with reconciled cash balances.

Corrective Action:

The Finance Committee will work with the Clerk-Treasurer to develop reports that provide the monthly cash activity for each fund account, including starting and ending balances. The reports will be provided to the Board each month in advance of regular

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monthly meetings, consistent with reporting requirements of the Comptroller's Office. This policy has already commenced.

12. Recommendation #12:

The Clerk-Treasurer should file the *AUD* with *OSC* within 90 days after the close of the fiscal year and ensure it is supported by the accounting records.

Corrective Action:

The Board of Trustees has retained an independent accounting firm, [REDACTED] to complete the Village's past due *AUD*'s. The Finance Committee and Board of Trustees will provide oversight to ensure *AUD*'s for subsequent years are completed within the required reporting period.

13. Recommendation #13:

The Clerk-Treasurer should ensure that the duties of the Deputy Clerk are adequately segregated, or implement effective compensating controls to provide sufficient oversight of the Deputy Clerk's duties related to cash receipts and bank reconciliations.

Corrective Action:

A complete review of the Clerk-Treasurer's office will be completed by the Finance Committee and Board of Trustees, including but not limited to: (a) review of Deputy Clerk and Deputy Treasurer duties and work processes, (b) research of separation of the Clerk and Treasurer positions, and consideration of possible reconfigured office staffing and structure, and (c) segregation of duties and oversight of all cash receipts and bank reconciliations.

Thank you for giving the Board of Trustees and me the opportunity to consider and address the above stated concerns. Please advise if you wish for any further information to be submitted.

Sincerely,

Michael E. Dalton
Mayor of the Village of Canton

cc.: caps@osc.state.ny.us

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Village officials and reviewed financial records and reports to obtain an understanding of the controls over the financial recording and reporting process.
- We reviewed bank reconciliations for all 22 Village checking accounts as of May 31, 2020 to determine whether they were accurately completed, adjusted bank balances agreed with recorded cash balances and to identify and assess all reconciling items.
- We reviewed the closed money market bank account and offline spreadsheet maintained by the Clerk-Treasurer and compared them to the activity and balances reported in the accounting records to determine whether the cash activity was properly accounted for in the records and bank accounts.
- We reviewed interfund advances on the balance sheets and reviewed the supporting detail activity recorded in the general ledger to identify funds advanced from one fund to another as of May 31, 2020.
- We examined cash receipts for real property taxes levied, Town, County and State payments, and internal receipts for water and sewer, golf and recreation department revenues totaling \$4.9 million during our audit period to determine whether they were properly recorded and deposited. We compared the tax warrant amount to all real property taxes collected and recorded totaling \$1.7 million for 2019-20. Our test also included the following receipts:
 - All sales tax payments remitted by the County during the audit period (\$1.56 million).
 - Payments from the State totaling \$775,200.
 - Town payments greater than \$2,000 during the audit period (25 payments totaling \$386,699).
 - Two months of water and sewer payments totaling \$397,301 (December 2019 and October 2020). We selected the months with the largest dollar amount billed monthly and quarterly during our audit period.
 - Golf fund revenues received totaling \$59,381. We selected the largest collection month in our audit period (August 2020).
 - Recreation revenues totaling \$28,100. We selected the largest collection month in our audit period (December 2019).

-
- We reviewed detailed general ledgers for all cash accounts and used our professional judgment to select 55 journal entries decreasing cash, totaling \$3.1 million, during our audit period. We selected our sample based on descriptions, rounded or large dollar amounts and assessed whether the entries were reasonable, proper and supported.
 - We completed a cursory review of all bank statement activity during our audit period. We reviewed and determined whether all intrabank transfers were made to another Village bank account and used our professional judgment to select and determine whether 63 bank withdrawals totaling \$495,625 were for proper Village purposes.
 - We traced 254 non-payroll check disbursements in May 2020 totaling \$254,956 from the accounting records to abstracts to assess whether the disbursements were recorded and paid as authorized.
 - We reviewed a total of 274 non-payroll and payroll cancelled checks and direct deposit disbursements equaling \$1,650,493 and traced them to an authorized abstract or payroll register to determine the consistency of vendor or employee names and amounts. We randomly selected October 2020 to review all cancelled checks and direct deposits disbursed which was 196 checks totaling \$348,058. We used our professional judgment to select 78 checks and direct deposits in our audit period totaling \$1,302,435 based on disbursements to the Clerk-Treasurer, Deputy Treasurer, Deputy Clerk, rounded dollar amount, and odd vendor names or descriptions.
 - We reviewed salaries paid to the Clerk-Treasurer, Deputy Treasurer and Deputy Clerk to determine whether the amounts recorded and paid were in accordance with Board authorization during our audit period.
 - We reviewed bank statements and accounting records to identify any voided checks and/or gaps in check sequences to assess their adequacy and compared to supporting documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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.

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 provided 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 the CAP available for public review in the Clerk-Treasurer's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

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