

Town of Duanesburg

Financial Records and Reports

FEBRUARY 2021



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

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Report Highlights

Town of Duanesburg

Audit Objective

Determine whether the Town Supervisor (Supervisor) maintained complete, accurate and up-to-date accounting records and reports.

Key Findings

The Supervisor did not ensure that the Town's accounting records and reports were complete, accurate, up-to-date or timely.

- The Town's accounting records were not reliable.
 - \$590,880 in revenue and \$55,182 in expenditures were not recorded.
 - The accounting records' cash balances were overstated by about \$3 million as of December 31, 2019.
- Bank reconciliations were not performed.
- The Town Board (Board) did not always receive financial reports and reports it received were not accurate.

The Board did not have complete, accurate and timely financial information. As a result, the Board's ability to monitor the Town's financial affairs, accurately assess the Town's financial condition and make sound financial decisions may be compromised.

Key Recommendations

- Develop policies and procedures to ensure the accounting records are properly maintained.
- Complete bank reconciliations timely.
- Provide accurate and timely financial reports to the Board.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town of Duanesburg (Town) is located in Schenectady County and includes the Village of Delanson.

The Town is governed by an elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for overseeing the Town's operations and finances. The Supervisor is the chief executive and chief financial officer.

The Board-appointed bookkeeper assists the Supervisor by maintaining accounting records, generating financial reports and developing the budget.

The Town's main operating funds are the general town-wide, general part-town, highway town-wide and highway part-town. The Town also has nine special districts for water, sewer, lighting and fire protection.

Quick Facts

2019 Expenditures (as reported)	\$2.9 million
2020 Budgeted Appropriations	\$3.6 million
Employees	36
Population	6,262

Audit Period

January 1, 2019 – January 31, 2020

Financial Records and Reports

What are Complete, Accurate and Timely Accounting Records and Reports?

Town supervisors are responsible for maintaining accurate financial records that summarize the town's financial activities.¹ The accounting records should document the assets, liabilities, fund balance and results of operations (revenues and expenditures) for each town fund. If the supervisor assigns these duties to a bookkeeper, the supervisor should provide sufficient oversight to ensure the bookkeeper maintains suitable records, documents financial information accurately and timely, and provides useful reports to the board.

The supervisor performs an essential control activity that helps ensure all receipts and disbursements are properly recorded when reconciling bank account balances with the accounting records or reviewing such reconciliations prepared by the bookkeeper. Monthly bank account reconciliations provide a way to identify, correct and document differences between the town's records and bank transactions. Any differences must be promptly identified and adjusted to ensure that all financial activities are properly accounted for in a timely manner and cash is safeguarded.

Complete and accurate records allow the supervisor to provide monthly reports to the board to facilitate timely and prudent financial decisions. These reports should include a detailed accounting of all money received and disbursed and detailed year-to-date, budget-to-actual comparisons of revenues and expenditures for each fund.²

Accounting Records Are Not Reliable

The Supervisor did not ensure that the Town's accounting records and reports were complete, accurate, up-to-date or timely. The bookkeeper generally recorded check disbursements in a timely manner. However, during our review of 2019 check registers, we found two exceptions where handwritten checks for workers' compensation in the amount of \$34,022 and a health insurance check in the amount of \$21,160 were not recorded in the accounting records. We found revenues were not consistently recorded in the accounting software. For example, collections from October 2019 through December 2019 totaling \$590,880 were deposited in the bank but not recorded in the accounting records.

The bookkeeper prepares two reports for the Board each month. One summarizes revenue and disbursement activity by month (monthly summary) and one compares overall year-to-date revenue and disbursement activity to the budget (budget-to-actual). However, the monthly summary was not an accurate

¹ New York State (NYS) Town Law, Section 29 (4)

² NYS Town Law, Section 125(2)

representation of revenues and disbursements for the individual operating funds because, in addition to issues already discussed, the reports combined fund and special district information based upon how bank accounts were maintained.³ In addition, the Board was not provided with either of these reports in March, April and October through December of 2019. The Town contracted with an accountant to maintain the accounting records beginning January 2020.

The Board reports did not include balance sheet information. As a result, the Board was unaware of cash balances each month. When making purchasing decisions, the Board relied on the bookkeeper to inform them verbally of the cash balances to assure that cash was available. Because the Board did not have complete, accurate and timely financial information, the Board's ability to monitor the Town's financial affairs, accurately assess the Town's financial condition and make sound financial decisions may be compromised.

The Supervisor Did Not Ensure That Bank Reconciliations Were Performed

The Supervisor did not ensure the bookkeeper performed regular bank reconciliations or ensure an independent review of bank reconciliations was performed by another designated official. We reviewed 91 bank statements⁴ from January 2019 through January 2020⁵ and found bank accounts were never reconciled to the accounting records during the 13 months we reviewed. We discussed this with the Supervisor who was unaware that bank reconciliations were not being performed.

We performed bank reconciliations to determine the adjusted bank balance for seven of the Town's 12 bank accounts for each month of our audit period.⁶ Transfers are made from the general, highway and sewer bank accounts into the accounts payable account to pay bills and trust and agency account for payroll. We found the bookkeeper did not make transfers for payroll or non-payroll disbursements timely. As a result the trust and agency account had a negative adjusted bank balance for 10 months of our audit period (February, March, May 2019 to September and November 2019 through January 2020) and the accounts payable bank account had a negative adjusted bank balance for six months of our audit period (April, May, July, August, September and December of 2019). This

...[B]ank accounts were never reconciled to the accounting records during the 13 months we reviewed.

3 The town-wide fund, part-town fund, three special lighting districts and drainage district are combined. The town-wide and part-town highway funds are combined.

4 Thirteen bank statements for each of the seven bank accounts

5 The accountant started to maintain the Town's accounting records in in January 2020. Bank reconciliations are among the services provided. As of March 2020, the accountant has not provided bank reconciliations or financial reports to the Board except for budget-to-actual reports.

6 We did not perform bank reconciliations for the remaining five accounts that are used to account for the service award program, two Town parks, Section 8 operations and the housing authority.

occurred because transfers were not made timely. According to the Supervisor, he was notified by the bank that the Town's accounts payable bank account would be overdrawn, so he made transfers to prevent an overdraft of the account.

We found significant variances between the actual adjusted bank balances and the December 31, 2019 general ledger cash balances. For example, our calculation for the adjusted bank balance in the payroll account was negative (\$11,034) and the Town's balance was \$2,850,297. The adjusted bank balance for the general fund bank account was \$559,263 and the Town's balance was \$1,232,327. (See Figure 1)

Figure 1: Accounting Records and Adjusted Bank Balances as of 12/31/19

Bank Account	Adjusted Bank Balance	Balance per Accounting Records	Variance
Trust and Agency	(\$11,034)	\$2,850,297	(\$2,861,331)
Accounts Payable	(\$50,488)	\$100	(\$50,588)
General	\$559,263	\$1,232,327	(\$673,064)
Highway	\$605,430	\$134,802	\$470,628
Sewer District 1	\$385,933	\$272,391	\$113,542
Sewer District 2	\$106,437	\$141,941	(\$35,504)
Sewer District 3	\$701,322	\$681,363	\$19,959
Totals	\$2,296,863	\$5,313,221	(\$3,016,358)

The failure to regularly reconcile adjusted bank balances to recorded cash balances prevents timely detection of accounting errors and increases the risk that fraudulent transactions could occur and go undetected. If the Supervisor reviewed the adjusted bank balances to the recorded cash balances, he would have been aware that records were not maintained accurately and timely.

What Do We Recommend?

The Supervisor and Board should:

1. Develop policies and procedures to ensure the Town's accounting records and reports are complete, accurate and up-to-date.
2. Require monthly reports that are up-to-date, accurate and include balance sheet information.

The Supervisor should:

3. Ensure accurate and complete bank reconciliations are performed timely.
4. Ensure the Board is provided accurate and timely financial reports each month, including reconciled cash balances by fund.

Appendix A: Response From Town Officials

Roger Tidball, Town Supervisor
Jennifer Howe, Town Clerk
Brandy Fall, Deputy Town Clerk



John Ganther, Council Member
Francis R. Potter, Council Member
Jeffrey Senecal, Council Member
William Wenzel, Council Member

Town of Duanesburg

Schenectady County

November 23, 2020

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

Dear Office of the State Comptroller,

On behalf of the Town Board of the Town of Duanesburg, this letter is in response to the Office of the New York State Comptroller's (OSC) draft report of the Town of Duanesburg Financial Records and Reports covering the period from January 1, 2019 through December 31st, 2019. The Town Board would first like to take this opportunity to thank your office for the time and effort put into this endeavor by your staff, and to recognize the professionalism of the auditors that spent many hours working on-site with our staff members to perform the necessary research. This process was made even more challenging as the Covid-19 breakout began in the middle of this process.

The Board recognizes the need to maintain rigorous processes and controls and we look forward to working with your office to strengthen these efforts. As we shared with your staff through this process, many improvements have already been made. Improvements include the adoption of eleven new or updated policies, retention of [REDACTED] to provide accounting and advisory services to the Town on a routine basis, along with a variety of additional internal controls that were adopted in response to a risk assessment performed by [REDACTED]. We reviewed these improvements with your auditors while they were on-site here at Town Hall. We are pleased that your office was able to confirm that there were no improprieties or misappropriations of any kind identified by your staff.

With regard to the specific findings of the OSC:

Develop policies and procedures to ensure the Town's accounting records and reports are complete, accurate and up-to-date

The Town Board acknowledges the recommendations made by the OSC with respect to our financial records. The Board began to address such issues by retaining [REDACTED] to perform a Risk Assessment. This assessment identified and documented areas of weaknesses and made recommendations for improvements. A critical element of the Town's response to the risk assessment is the retention of [REDACTED]

The Town's accounting and financial processing, with the exception of Payroll, has been shifted from internal management to [REDACTED] to further enhance Town controls. [REDACTED] role also supplants tasks formerly performed by internal Town bookkeepers.

Ensure accurate and complete bank reconciliations are performed timely

As part of the transition of our accounting function to [REDACTED], and as a result of the risk assessment performed by [REDACTED] the Town has adopted a two-step bank reconciliation process. [REDACTED] performs on-line reconciliations using their accounting software system, which are then submitted for review and approval by the Town Board. Additionally, an internal town employee performs manual reconciliations. These two reconciliation reports are then compared to each other to confirm accuracy or to identify exceptions.

Ensure the Board is provided accurate and timely financial reports each month, including reconciled cash balances by fund

Once again, as part of the transition of our accounting function to [REDACTED] and as a result of the risk assessment performed by [REDACTED] scope of services includes preparation of monthly management reporting, bank reconciliations and monthly records of all receipts and disbursements. [REDACTED] prepares and provides monthly reports to the Town Board.

Conclusion

The Town appreciates the opportunity to work with the Comptroller to further enhance its internal controls. As a result of Risk Assessment performed by [REDACTED] a proactive plan is being implemented to enhance internal controls, a process which began prior to OSC's review. We look forward to working with your staff to make additional enhancement to these controls where appropriate.

Thank you once again for the OSC's professionalism and assistance during this entire process.

Sincerely:

Roger Tidball
Duanesburg Town Supervisor

CC: Gary G. Gifford, Chief Examiner
[REDACTED] Auditor
Duanesburg Town Board members

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 Town officials and reviewed Board minutes to gain an understanding of the internal controls over cash receipts, disbursements and bank reconciliations. Through these interviews we gained an understanding of how the accounting records are maintained and what financial reports are provided to the Board.
- We reviewed bank statements for seven Town accounts for all months in our audit period to determine if monthly reconciliations were being performed. We calculated the adjusted bank balance for the seven accounts for each month of our audit period and compared it to the cash recorded in the accounting records.
- We reviewed all receipts remitted to the Supervisor during our audit to determine if they were recorded accurately and timely into the accounting records and deposited timely.
- We reviewed all health insurance disbursements totaling \$274,417.
- For all 13 months in our audit period, we compared the Board-approved abstracts to the corresponding check registers to determine if the amounts agreed.
- We reviewed financial reports provided to the Board during our audit period. We also interviewed Board members to determine if financial information they received was accurate and allowed them to make informed financial decisions.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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?title=&body_value=&field_topics_target_id=263206&issued=All

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/sites/default/files/local-government/documents/pdf/2020-05/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?title=&body_value=&field_topics_target_id=263211&issued=All

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

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Division of Local Government and School Accountability
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www.osc.state.ny.us/local-government

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

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