

# Town of Springfield

## Accounting Records and Reports

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MAY 2021

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

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# Report Highlights

## Town of Springfield

### Audit Objective

Determine whether the Town of Springfield's (Town) Supervisor maintained complete, accurate and timely accounting records and reports.

### Key Findings

The current Supervisor did not maintain complete, accurate and timely accounting records and reports. As a result, the Board was not provided with the necessary financial reports and information to properly oversee Town finances

During our audit period, the current Supervisor did not:

- Prepare bank reconciliations, record receipts in the financial accounting software or provide the Board with detailed monthly budget-to-actual reports.
- File the annual financial reports (known as AUDs) with the State Comptroller's office (OSC), as required.

The Board did not annually audit, or provide for an audit of, the Supervisor's records and reports, as required.

### Key Recommendations

- Prepare monthly bank reconciliations, record all transactions in the financial software timely and provide detailed budget-to-actual reports to the Board.
- File AUDs in a timely manner.
- Annually audit the Supervisor's records and reports.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The Town, located in Otsego County, is governed by an elected five-member Town Board (Board), composed of the Supervisor and four Council members. The Board is responsible for the general oversight of the operations and finances.

The Supervisor serves as the chief executive officer and chief financial officer. The individual referred to in our report as the "current" Supervisor assumed office in April 2018 (after the former Supervisor resigned) and resigned subsequent to our audit period; a new Supervisor took office in December 2020.

#### Quick Facts

2019 Appropriations	\$1,005,401
2019 Tax Levy	\$514,985
Population	1,358

### Audit Period

January 1, 2018 – October 31, 2019. We expanded our audit period forward through June 30, 2020 to review the monthly financial reports provided to the Board.

# Records and Reports

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## How Should the Supervisor Record and Report Financial Information?

A town supervisor is responsible for maintaining accurate financial records that summarize all financial activities. The accounting records should document the assets, liabilities, fund equity and results of operations (revenues and expenditures) for each town fund. Monthly bank reconciliations help ensure all receipts and disbursements are properly recorded and provide a way to identify, correct and document differences between the town's records and bank transactions.

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 as well as detailed budget-to-actual comparisons of revenues and expenditures, totaled by account code, for each fund.

The supervisor is required to file an AUD with OSC within 60 days of the town's year-end. Town officials have the option to request an extension which, if granted, would extend the deadline to 120 days after the town's year-end. The AUD provides the board, OSC, town residents and other interested parties with a tool to monitor and evaluate financial operations.

Furthermore, the supervisor must submit an annual accounting to the board on or before January 20 for all money received and disbursed during the preceding year, unless an independent certified public accountant or public accountant audits the supervisor's records within 60 days after the close of the year. The annual accounting helps the board fulfill its overall fiscal oversight responsibilities by providing it with an opportunity to assess the reliability of the books, records and supporting documents. It also serves to identify conditions that need improvement and provides useful information to help the board oversee the town's financial operations.

## The Supervisor Did Not Maintain Complete and Timely Accounting Records

The current Supervisor did not maintain complete, accurate and up-to-date accounting records. While the current Supervisor tracked receipts and bank deposits in a computerized spreadsheet, he did not record receipts or the adopted budget in the financial accounting software.

For disbursements, the current Supervisor recorded transactions in the financial accounting software to create disbursement checks, but duplicated his efforts by tracking monthly expenditures by account code in a spreadsheet separate from the financial accounting software. Additionally, the current Supervisor did not

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maintain running cash checkbook balances, which prevented him from preparing accurate monthly bank reconciliations.

We reviewed all cash receipts for three months of our audit period (January, February and March 2019) to determine whether they were deposited into a Town bank account in a timely manner and one month of disbursements (February 2019) to determine whether they were for proper purposes.<sup>1</sup> In addition, we reviewed all 101 bank transfers totaling \$960,599 from January 1, 2018 through May 31, 2019 to determine whether these transfers were made to other Town bank accounts and were appropriate.

Although our review did not identify any significant deficiencies, the current Supervisor told us he was not proficient with the Town's financial accounting software and we offered suggestions to improve his recordkeeping. Without accurate, complete and up-to-date accounting records the Board cannot be sure that all transactions are properly recorded.

### **The Supervisor Did Not Provide Accurate, Complete and Timely Financial Reports**

Although the current Supervisor implemented some of our suggestions and began providing more financial information to the Board as our audit progressed, due to the inadequate recordkeeping, he was unable to provide sufficient timely information to the Board. As a result, the Board was not provided with the necessary financial reports and information to properly oversee Town finances.

The current Supervisor provided the Board with bank balances each month that did not include deposits-in-transit or outstanding checks. In addition, each month, the current Supervisor provided the Board a summary of all deposits made and month-by-month totals of expenditures made per account code.

However, the current Supervisor did not provide revenues in this report or calculate total year-to-date expenditures by account code. No budget-to-actual reports could be prepared because the budget was not maintained in the financial accounting software. Additionally, because, in 2019, the current Supervisor deposited all real property taxes into a general fund bank account, the reported general fund cash balances were overstated while highway fund cash balances were understated by up to \$410,410.

Without complete, accurate and timely financial reports, a clear and accurate financial picture was not provided to assist the Supervisor and Board in making informed financial decisions. In addition, because bank reconciliations were not prepared, errors could occur and remain undetected and uncorrected.

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No budget-to-actual reports could be prepared because the budget was not maintained in the financial accounting software.

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<sup>1</sup> Refer to Appendix B for information on our sampling methodology.

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## The Supervisor Did Not File Required AUDs

The former Supervisor did not file the AUD for 2017 before leaving office, and it remained unfiled at the end of our field work. The current Supervisor told us he did not file the AUD for 2018 because he did not have the necessary records to file an accurate report.

This resulted because the accounting records were inaccurate and incomplete to such an extent that they could not be used to file the AUDs with OSC. For example, because receipts were not tracked within the financial accounting software, the current Supervisor did not maintain a running balance of revenues by account code necessary to file the AUD.

The current Supervisor told us he was in the process of compiling this information to file the 2019 AUD. The failure to file AUDs could affect the Board's ability to monitor financial affairs and make sound financial decisions.

## The Board Did Not Annually Audit the Supervisor's Records

The Board did not audit, or contract with an independent public accountant to audit, the Supervisor's accounting records and reports for 2017, 2018 or 2019. Because the Board failed to require and conduct annual audits, it did not have adequate assurance that either the former or the current Supervisor properly accounted for all financial resources.

As a result, there is an increased risk that public money could be misappropriated or errors or irregularities could occur and remain undetected and uncorrected.

## What Do We Recommend?

The Supervisor should:

1. Ensure that monthly bank reconciliations are performed and that the Town's accounting records and reports are complete, accurate and up-to-date.
2. Provide the Board with monthly financial reports that include all cash activity, reconciled balances and budget-to-actual revenues and expenditures for each fund to assist with monitoring and managing financial operations.
3. Ensure AUDs are filed on time.

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The Board should:

4. Develop policies and procedures to ensure that monthly bank reconciliations are performed and that the Town's accounting records and reports are complete, accurate and up-to-date.
5. Annually audit the Supervisor's records or have an independent public accountant do so. To assist in performing this audit function, refer to our publication *Fiscal Oversight Responsibilities of the Governing Board*.
6. Review the training resources available through OSC that can be accessed on our website at [www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy).
7. Review the publication issued by OSC, *Information for Town Officials*.

## Appendix A: Response From Town Officials

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**Town Of Springfield NY**

**PO Box 176**

**Springfield Center NY 13468**

**Location code: 30625**

**April 3, 2021**

**Ann Singer**

Chief Examiner, Office of State Comptrollers  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, NY 12236

Anne, I am writing this letter to inform you that the **Town of Springfield agrees** with the findings in your report regarding **Springfield's Accounting Records and Reports (2020M-175)**. I will send a follow up letter in the next few weeks on how we plan to address and rectify the many prior flaws of previous years. Thank you for your time and understanding on the matter.

Galen Criqui  
Town Supervisor  
Town of Springfield

## Appendix B: Audit Methodology and Standards

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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<sup>2</sup> and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board minutes to assess the condition of the Supervisor's accounting records and reports.
- We obtained confirmations from the banks used by the Town to identify all known bank accounts and corresponding balances.
- We reviewed bank statements and accounting records and reports to determine whether monthly bank reconciliations were prepared.
- We used our professional judgment to select bank statements for 17 months during our audit period (January 1, 2018 through May 31, 2019). We reviewed these statements to identify all transfers and cash withdrawals. We reviewed all 101 bank transfers totaling \$960,599 for this period to determine whether there were any cash withdrawals and whether these transactions were for appropriate purposes.
- We used our professional judgment to select a sample of three months during the audit period (January, February and March 2019) to review all known receipts from the Town Clerk and Tax Collector (totaling \$627,936) by comparing the amounts received with the amounts deposited to assess completeness, accuracy and timeliness of the accounting records.
- We reviewed all receipts from the State during our audit period (totaling \$188,229) by comparing the amounts received with the amounts deposited to assess completeness, accuracy and timeliness of the accounting records.
- We used our professional judgment to select a sample month for disbursement testing (February 2019). We compared all 12 general fund disbursements totaling \$7,785 and all 26 highway fund disbursements totaling \$25,183 shown on the bank statements to check detail reports and Board-approved abstracts and vouchers to determine whether these disbursements were for appropriate purposes.
- We reviewed the Supervisor's June 2020 monthly financial reports to the Board to assess the completeness, accuracy and timeliness of financial information provided to the Board.
- We assessed the timeliness of AUD filings for 2017, 2018 and 2019 as of the end of audit fieldwork.
- We assessed whether the Board conducted an annual audit of the Supervisor's financial records.

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<sup>2</sup> We also issued a separate audit report, Town of Springfield – Credit Card Purchases (2020M-138).

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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 a 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

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

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**BINGHAMTON REGIONAL OFFICE** – Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: [Muni-Binghamton@osc.ny.gov](mailto:Muni-Binghamton@osc.ny.gov)

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