



**THOMAS P. DiNAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**ELLIOTT AUERBACH**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

February 2021

Anthony Tubolino, Supervisor  
Members of the Town Board  
Town of Worth  
24258 County Route 189  
Worth, NY 13689

Report Number: 2014M-323-F

Dear Supervisor Tubolino and Members of the Town Board:

One of the Office of the State Comptroller's (OSC'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 town officials to reduce costs, improve service delivery and to account for and protect their town's assets. In accordance with these objectives, we conducted an audit of the Town of Worth (Town) to assess the financial operations of the Town. As a result of our audit, we issued a report in February 2015, identifying certain conditions and opportunities for Town management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Town in February 2020 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Town personnel and inspection of certain documents related to the issues identified in our report. The review focused on the 2018 and 2019 fiscal years, when the Town's records and reports were maintained by the former Town Supervisor (Supervisor). Of the nine audit recommendations, two recommendations were partially implemented and seven recommendations were not implemented.

The recommendations provided during our audit were to help the Town with basic financial management. They included recommendations for the Supervisor to maintain complete and up-to-date accounting records and for the Board to oversee Town finances. At the time of our audit, Town officials provided a response letter and a separate corrective action plan to address the findings. It has been over six years since we issued our report; in that time the Town has made minimal progress on corrective action, even on such basic things as the Supervisor maintaining complete and up-to-date accounting records and the Board adopting structurally balanced budgets.

Based on our findings during this follow-up of our prior audit, we recommend that the Board update its corrective action plan and include a time line for completion for each of the findings that have not been fully implemented.

## **Recommendation 1 – Accounting Records**

The Supervisor should maintain accurate, complete and up-to-date accounting records.

Status of Corrective Action: Not Implemented

Observations/Findings: The Town’s corrective action plan filed in April 2015 stated that the former Supervisor was keeping monthly records in Excel since June 2014 and that these records were totaled and reconciled monthly. Appendix A shows an example of the 2018 general fund accounting records provided for our review. The former Supervisor’s records were incomplete and were not maintained using the *Accounting and Reporting Manual*.<sup>1</sup> The records did not clearly identify revenue and expenditure account codes and names, the dates funds were received and disbursed or check numbers and payees. Also, payroll expenditures were not included and the records included handwritten notes and amounts that were unclear.

In 2019, the former Supervisor began maintaining the records on ledger paper for the general and highway funds. The records included more detail than in the prior year, such as dates and payees for revenues; and check numbers and vendor names for expenditures. However, the records were still not adequate. For example, they did not show revenue and expenditure account codes, the expenditure records were not in sequential order by check number and they did not show dates the checks were written. Payroll expenditures were shown as total gross wages and withholdings for all employees combined for the month instead of being allocated to individual expenditure accounts. Also, some check disbursements were not included in the monthly expenditure records.

In addition, there is no evidence that the former Supervisor maintained cash control accounts to track cash activity and cash balances for each fund in the 2018 or 2019 fiscal years or that she performed bank reconciliations to compare bank activity with the accounting records. Because the records were incomplete and inadequate, the former Supervisor was unable to present periodic financial reports to the Board, including budget-to-actual comparisons, or file an accurate annual financial report to OSC for the 2018 fiscal year (also see Recommendations 3 and 4).

We identified all State and county revenues received in 2019 (i.e. State aid, sales tax, mortgage tax, snow removal) and traced the revenues to receipt ledgers and bank statements with no exceptions. We reviewed two months of non-payroll check disbursements that cleared the bank in May and September 2019 in the general and highway fund checking accounts. Except for minor deficiencies that we discussed with management, the disbursements were paid as authorized, adequately supported and for proper Town purposes. We also reviewed the transfers from these bank accounts to the trust and agency checking account and found the transfers were for proper purposes.

## **Recommendation 2 – Claims Payment**

The Supervisor should pay only those claims that have been audited and approved for payment by the Board, except where allowed by law.

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<sup>1</sup> See [www.osc.state.ny.us/localgov/pubs/arm.pdf](http://www.osc.state.ny.us/localgov/pubs/arm.pdf)

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed 42 claims totaling \$72,553 paid in May and September 2019 and found three claims for health insurance totaling \$12,456 that were paid prior to Board audit, which is not allowed by law.<sup>2</sup> The other 39 claims were properly approved by the Board prior to payment.

**Recommendation 3 – Monthly Reports to the Board**

The Supervisor should provide the Board with monthly reports that include an accounting of all cash receipts and disbursements, cash balances and budget-to-actual results for each fund.

Status of Corrective Action: Not Implemented

Observations/Findings: We saw no evidence in the minutes that the former Supervisor provided the Board with monthly financial reports. The Town's corrective action plan stated that since June 2014 the Board has been given a copy of the Excel sheet and bank statements that the Board reviews and approves. Board members told us the former Supervisor periodically gave them bank statements and canceled checks to review. However, the former Supervisor did not provide them with the Excel sheets or other records showing cash receipts and disbursements and cash balances for each fund. The former Supervisor also did not provide the Board with budget-to-actual results for revenues and expenditures so it could monitor the budget during the year.

**Recommendation 4 – Annual Financial Reports**

The Supervisor should submit accurate annual financial reports to OSC, the Clerk and the Board and ensure that the reports are fully supported by the accounting records.

Status of Corrective Action: Not Implemented

Observations/Findings: As discussed in Recommendation 1, the former Supervisor did not maintain adequate accounting records to track all financial activity. As a result, we were unable to trace cash balances, revenues and expenditures from the former Supervisor's accounting records to the 2018 annual financial report and reported balances were not properly supported.

For example, we reviewed cash balances in all bank accounts as of December 31, 2018 and found they totaled \$1,052,164, or approximately \$100,000 less than the cash balances reported in the balance sheets for all funds in the 2018 annual financial report. Also, the total real property tax levy for 2018 was \$175,000 for all funds. The former Supervisor recorded real property taxes of \$175,397 in the accounting records but only reported real property tax revenues totaling \$134,200 in the annual financial report (\$40,800 less than what was levied).

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<sup>2</sup> With few exceptions, New York State Town Law (Town Law) requires the Board to approve all claims before the Supervisor can disburse payment. The Board can authorize, by resolution, the payment of certain claims in advance of audit, including those for public utility services, postage and freight, and express charges. However, health insurance claims are not authorized to be paid prior to the Board's audit and approval.

## **Recommendation 5 – Financial Oversight**

The Board should implement control procedures to ensure it adequately oversees the Supervisor’s financial duties.

Status of Corrective Action: Partially Implemented

Observations/Findings: While the Board has not established formal procedures for reviewing the work performed by the Supervisor, Board members we interviewed told us they periodically review bank statements and canceled check images at monthly meetings. One Board member told us she reviews canceled checks to see if payee names are consistent with the claims the Board has approved for payment. However, none of the Board members periodically compares checks to abstracts or payroll reports to ensure payments were made as authorized.

## **Recommendation 6 – Annual Audit**

The Board should annually audit the Supervisor’s financial records, or have an independent public accountant do so, and document the results of its audit in the Board minutes. To assist in performing its audit function, the Board should review OSC’s publication entitled *Fiscal Oversight Responsibilities of the Governing Board*.<sup>3</sup>

Status of Corrective Action: Not Implemented

Observations/Findings: We interviewed Board members and reviewed Board minutes for 2018 and 2019 and found that the Board did not complete an annual audit of the former Supervisor’s books and records, nor did it hire an external auditor to perform this function.

## **Recommendation 7– Fund Balance Policy**

The Board should adopt a policy governing the level of fund balance maintained in each fund and use excess fund balance or surplus cash in a manner that benefits taxpayers. Such uses could include, but are not limited to:

- Reducing property taxes,
- Financing one-time expenditures and
- Establishing authorized reserves.

Status of Corrective Action: Not Implemented

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<sup>3</sup> [www.osc.state.ny.us/localgov/pubs/lgmg/fiscal\\_oversight.pdf](http://www.osc.state.ny.us/localgov/pubs/lgmg/fiscal_oversight.pdf).

Observations/Findings: Based on discussions with Board members and our review of the 2018 and 2019 Board minutes, the Board has not adopted a fund balance policy that stipulates the level of fund balance that should be maintained in each fund.<sup>4</sup>

Based on our review of the cash balances at the end of 2018, the Town has continued to carry high cash balances, similar to our last audit. The cash on deposit at the end of 2018 totaled about \$1,052,000, which was 177 percent of the next year's total budgeted appropriations of \$593,738 for all funds.

While the former Supervisor opened a savings account in 2015 entitled "Building and Equipment Fund" and began depositing money into it for the construction of a new town hall and barn, the Board has not formerly established a capital reserve for this purpose. This savings account had a balance of \$351,350 at the end of 2018. Even if the Board had formally established a capital reserve(s) to accumulate these funds, the remaining unrestricted cash balance was \$700,650, or 118 percent of the next year's budget. While it is prudent to maintain adequate cash and fund balance to use as a financial cushion in the event of unforeseen financial circumstances, this level appears higher than necessary.

### **Recommendation 8 – Realistic and Structurally Balanced Budgets**

The Board should develop and adopt budgets that include realistic estimates for revenues, expenditures (also known as budgeted appropriations) and appropriated fund balance and ensure budgets are structurally balanced.

Status of Corrective Action: Not Implemented

Observations/Findings: The Town's budgets for the last three fiscal years (2018 through 2020) improperly show the estimated revenues and budgeted appropriations for all funds combined. The budgets do not contain a budget summary page listing total estimated revenues, budgeted appropriations, appropriated fund balance (if any) and the tax levy for each separate fund (i.e., general, highway and fire protection district funds).

Also, the budgets are not structurally balanced for each fund. The budgets included a general fund cash account balance (e.g., \$942,346 in the 2019 budget) along with the estimated revenues. The total estimated financing sources reflected in the budgets exceeded the total budgeted appropriations each year, presumably because the general fund cash account balance was improperly included with the estimated revenues.

We also noted that the Town raised more real property taxes than reflected in the budgets. For example, the estimated revenue schedule in the 2019 budget shows a general fund real property tax revenue of \$175,000. In addition to levying this tax, the Town also levied \$8,200 in taxes to finance the fire protection district, which was not reflected in the budget.

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<sup>4</sup> Because the Town utilizes a cash basis of accounting, financial transactions are only recorded when cash is received or disbursed and each fund's cash essentially equals its fund balance.

## **Recommendation 9 – Conflicts of Interest**

The Board should ensure that the Town does not enter into any contract in which a Town officer or employee has a prohibited interest.

Status of Corrective Action: Not Implemented

Observations/Findings: The Town has not implemented policies or procedures to help ensure the Town does not enter into a contract with an officer or employee that has a prohibited interest. We inquired if the Board has adopted a Code of Ethics policy or if it requires Town officials and employees to complete and file an annual disclosure with the Town Clerk indicating whether they have any outside business interests that might be prohibited. While Board members we interviewed told us that they have had discussions about adopting a Code of Ethics policy, no formal action has been taken nor have they implemented any requirements relating to disclosure of interests.

During our prior audit, the Highway Superintendent had a prohibited interest in a Town contract for the purchase of an engine costing \$1,300. We reviewed canceled checks and claims for payments made to the Superintendent during 2019 and did not identify any payments or purchases that would result in prohibited conflict of interest.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We also provided technical assistance to the current Supervisor as he worked to implement a new accounting system and we provided guidance on various other financial matters, including the development and proper format of the budget and the preparation of the 2019 annual financial report. We encourage Town officials to continue their efforts to fully 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 Rebecca Wilcox, Chief Examiner of our Syracuse Regional Office at 315-428-4192.

Sincerely,

Elliott Auerbach  
Deputy Comptroller

# Appendix A – Example of 2018 General Fund Accounting Records

deposits				general 2018										
town clerk	jeff co	sales tax	town tax	mtg tax	electric	recycling	laura	health ins.	dues	boces	advertise	fire dept		
29.99	1976	25353.82	175396.7	1197.85	105.39	4000	36.71	3747.74	50	47.5	21.76	8000		
33.46	22489.6	23257.26		1309.4	170.25	300	147	4433.14	600	47.5	14.62	2608.66		
25	8133.78	4561.5			173.45	250	250	4090.44	500	47.5	26.38			
50		26551.08			191.86			4090.44	275	348	27.56			
25					71.48			4090.44	100	50	29.92			
25					42.56			4090.44			48.5			
50 pipe					32.39			4090.44						
					28.74			4090.44						
					27.43			8180.88						
					51.2									
					69.51									

*Handwritten notes:*  
 AS108  
 554  
 599 Int + Penalties for mtg tax  
 79723.66  
 32599.38  
 3/04  
 112323.04  
 State aid 4976  
 175517  
 32680  
 143  
 758000  
 32000  
 43000

jeff co pay	judy	attorney	zoning	cemetery	griev bd	assessor	bid ins
5214.92	68.34	8181.88	500	150	100	75.67	11721.86
	89	4628.45		150	100		
	89	770		150	100		
	184.86	925.91		150			
		733.63					
		777.23					
		2220					
		3721					
		1300					
		1400.33					
		288					
		4152.00					

*Handwritten notes:*  
 581392  
 5114  
 35120  
 75.67  
 170  
 196  
 A 1120 - Sales tax Revenue