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Sridar Samudrala, Mayor
Members of the Board of Trustees
Village of Delhi
9 Court Street
Delhi, NY 13753

Report Number: 2019M-204-F

Dear Mayor Samudrala and Members of the Board of Trustees:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and to account for and protect their local government's assets. In accordance with these objectives, we conducted an audit of the Village of Delhi (Village) to assess whether disbursements, including payroll, were for proper purposes and supported. As a result of our audit, we issued a report, dated January 2020, identifying certain conditions and opportunities for Village management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Village in April 2022 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Village personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Village has made progress implementing corrective action. Of the three audit recommendations, two recommendations were implemented and one recommendation was partially implemented.

Recommendation 1 – Recovery of Funds

Seek recovery of the five checks totaling more than \$5,100 that the former Clerk-Treasurer inappropriately paid herself.

Status of Corrective Action: Fully Implemented

Observations/Findings: The former Clerk-Treasurer resigned on July 19, 2019 and the Deputy Clerk-Treasurer was appointed Clerk-Treasurer. In May 2020, the Village received a check from the former Clerk-Treasurer for full restitution of the \$5,152 she inappropriately paid herself. We

reviewed the support for the payment and verified that it was deposited in the Village's bank account.

Recommendation 2 – Establish Compensating Controls

Establish compensating controls to oversee the Clerk-Treasurer's duties, such as:

- a. Designating someone to review bank statements, check images and monthly bank reconciliations.
- b. Ensuring that payroll is reviewed by an individual independent of payroll processing before payment.

Status of Corrective Action: Partially Implemented

Observations/Findings: On July 22, 2019, Village officials approved payroll check disbursement procedures which included compensating controls. For example, after the Deputy Clerk-Treasurer prepares the payroll, the Clerk-Treasurer or assistant Clerk-Treasurer reviews the timecards and payroll summary, and the Mayor reviews the timecards and certifies the payroll. Moreover, the Clerk-Treasurer reviews the bank statements and check images while preparing the monthly bank reconciliations. However, this procedure is not an adequate compensating control because the Clerk-Treasurer can process and sign manual checks. Therefore, she is not completely independent of the payroll process.

Furthermore, certain procedures are not being followed as designed. For example, the procedures require an employee not involved in the check preparation process to order blank check stock; however, the Deputy Clerk-Treasurer, who prepares and signs payroll checks, orders and inventories the blank check stock.

Recommendation 3 – Medical Reimbursements

Create policies and procedures for the medical reimbursements to ensure that they are paid in accordance with established contracts and have adequate supporting documentation.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board approved an employee healthcare reimbursement policy on June 15, 2020. The policy requires the use of a standardized healthcare reimbursement request form with adequate supporting documentation to help ensure that medical reimbursements are paid in accordance with established contracts. We tested 40 of the 124 medical reimbursements paid out during the current fiscal year and found that all payments were appropriate, adequately supported and paid in accordance with the established contracts.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Village 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 Ann C. Singer, Chief Examiner of our Binghamton Regional Office at (607) 721-8306.

Sincerely,

Elliott Auerbach
Deputy Comptroller