



Town of German

Supervisor's Records and Reports

2023M-54 | July 2023

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Report Highlights

Town of German

Audit Objective

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

Key Findings

The former Supervisor did not maintain the Town's accounting records and reports in a complete, accurate and up-to-date manner. As a result, the Town Board's (Board) ability to monitor the Town's financial operations was compromised, resulting in diminished transparency of the Town's financial operations. The former Supervisor:

- Incorrectly recorded almost \$1 million of highway fund revenues and \$57,000 of fire protection fund revenues in the general fund for the 2020 through 2022 fiscal years.
- Did not provide budget status reports, or a monthly accounting of all money received and disbursed, to the Board.
- Consistently filed the annual financial report (AFR) and the tax cap form late with the Office of the New York State Comptroller (OSC).
- Did not annually provide accounting records to the Board, in addition, the Board did not audit the former Supervisor's records.

Key Recommendations

- Maintain accurate and complete accounting records.
- Provide reliable monthly financial reports to the Board.
- File AFRs and tax cap forms as required.
- Annually audit the Supervisor's records.

Town officials agreed with our recommendations and indicated they will take corrective action.

Background

The Town, located in Chenango County, is governed by the elected five-member Board including the Supervisor. The Board is responsible for the general oversight of the Town's operations and finances.

The Supervisor is the chief fiscal officer and is responsible for the Town's daily operations including maintaining accurate accounting records and providing the Board with timely and accurate financial information.

The former Supervisor resigned effective December 31, 2022, and the Deputy Supervisor is serving as the acting Supervisor until the next election.

Quick Facts

Population 308

2023 Total Appropriations (All Funds) \$397,368

Required Annual Reports Filed Late

Fiscal Year/Report	Days Late
2019 AFR	187
2020 AFR	596
2021 Tax Cap Form	287
2022 Tax Cap Form	205

Required Annual Reports Unfiled

Fiscal Year/Report	Days Late
2021 AFR	406
2022 AFR	41
2023 Tax Cap Form	170

Audit Period

January 1, 2020 – December 31, 2022. We expanded our audit period forward to April 12, 2023 to review the AFR and tax cap form filing status.

Supervisor's Records and Reports

How Should a Town Supervisor Maintain Records and Reports?

Town supervisors are responsible for maintaining financial records that are complete, accurate and current so they are relevant and useful for town board members to manage town operations properly. The town supervisor should ensure town records provide sufficient detail and that revenues and expenditures, as budgeted and collected or expended, are recorded in the proper fund.

A town supervisor must provide monthly reports to the town board, including a detailed accounting of all money received and disbursed, reconciled cash balances for each fund and detailed year-to-date, budget-to-actual comparisons of revenue and expenditure accounts for each fund. These reports are essential in assisting a town board in monitoring financial operations, such as ensuring revenues and expenditures, as budgeted and collected or expended, are recognized and recorded in the proper fund.

Additionally, town supervisors are required by New York State (State) General Municipal Law Section 30 to file an AFR with OSC within 60 days after the close of the fiscal year. The AFR is a report of a town's financial position and results of operations. It is an important fiscal tool that can provide the town board with necessary information to monitor town operations and provide taxpayers and other interested parties (e.g., investors and lenders) with a summary of the town's financial activities.

With some exceptions, the State's property tax cap as set forth in the Laws of New York, 2011 Chapter 97 (Part A) limits the amount local governments can increase the tax levy (the total amount of property taxes billed) to the lower of either 2 percent or the rate of inflation. Before annual budgets are adopted, towns are required to submit any information necessary to calculate their property tax cap to OSC for the coming fiscal year. Towns that do not file their annual tax cap form prior to adopting the budget could adopt a tax levy that exceeds the allowable levy growth limit.

The Former Supervisor Did Not Maintain Adequate Accounting Records and Reports

We examined the Town's accounting records for the 2020 through 2022 fiscal years. We found that, while the former Supervisor prepared bank reconciliations and recorded revenues and expenditures in a timely manner, there were instances where revenues were not recorded in the correct fund. We recalculated the general fund revenues and found almost \$1 million of highway fund revenues and \$57,000 of fire protection fund revenues were incorrectly recorded in the general fund in the 2020 through 2022 fiscal years (Figure 1). The majority of the revenue was highway fund real property taxes and State and federal aid that was

...[T]here were instances where revenues were not recorded in the correct fund.

initially deposited into the general fund checking account and was not transferred to the highway fund checking account in a timely manner.

Figure 1: Recorded Revenues vs. Recalculated Revenues

	Recorded Revenues	OSC Calculated Revenues	Difference
General Fund			
2020	\$667,684	\$324,741	(\$342,943)
2021	\$390,848	\$183,367	(\$207,481)
2022	\$694,380	\$201,835	(\$492,545)
General Fund Total	\$1,752,912	\$709,943	(\$1,042,969)
Highway Fund			
2020	\$63,668	\$387,911	\$324,243
2021	\$117,209	\$305,630	\$188,421
2022	\$19,185	\$492,469	\$473,284
Highway Fund Total	\$200,062	\$1,186,010	\$985,948
Fire Protection			
2020	\$0	\$18,700	\$18,700
2021	\$0	\$19,060	\$19,060
2022	\$0	\$19,261	\$19,261
Fire Protection Fund Total	\$0	\$57,021	\$57,021

Additionally, the former Supervisor provided monthly cash balances to the Board, but he did not provide a detailed report of all money received and disbursed and did not present the Board with monthly budget-to-actual comparisons of revenues and expenditures.

Consequently, budget lines were overspent without detection. For example, in 2022, 11 budget lines were overspent by a total of \$162,751 in the general and highway funds. While the general fund budget was not overspent in total in 2022, the highway fund budget was overspent by \$98,000.

Without timely and accurate financial reports, the Board’s ability to monitor the Town’s financial condition is impaired and could prevent the Board from ensuring revenues are adequate to meet expenditures. Additionally, the lack of monitoring could prohibit the development of reasonable budgets.

The Former Supervisor Did Not Prepare the Required Reports in a Timely Manner

The former Supervisor hired a bookkeeper to file the Town's AFRs but did not ensure the AFRs were filed in a timely manner. As of April 12, 2023, the 2021 and 2022 AFRs had not been filed. Furthermore, the 2019 AFR was filed 187 days late and the 2020 AFR was filed 596 days late. The bookkeeper told us the primary reason for untimely AFRs was difficulties encountered due to the incorrect recording of revenues.

Additionally, the former Supervisor did not file tax cap forms with OSC in a timely manner. Specifically:

- The 2021 tax cap form was filed 287 days late.
- The 2022 tax cap form was filed 205 days late.
- As of April 12, 2023, the 2023 tax cap form had not been filed, which was 170 days delinquent.

Although we found that the Town had not exceeded the tax levy limit for the 2023 fiscal year, there is an increased risk that it could be exceeded without the Board's knowledge. When AFRs and tax cap forms are not filed in a timely manner, the Board's ability to monitor financial operations and make sound financial decisions is impaired.

Why Should the Supervisor's Records be Presented to the Board?

Unless a certified public accountant or public accountant has been hired to audit the town supervisor's records within 60 days after the close of the fiscal year, a town supervisor is required to submit an annual accounting to the town board on or before January 20 for all funds received and disbursed during the preceding year. The town supervisor also must produce all books, records, receipts and canceled checks for the town board's inspection. The annual accounting helps a town 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 a town board oversee the town's financial operations.

The Former Supervisor Did Not Present His Records to the Board for an Annual Audit

The former Supervisor did not provide an annual accounting to the Board and the Board did not audit, or contract with an independent public accountant to audit, the former Supervisor's accounting records for the 2020 through 2022 fiscal

Had the Board completed an audit, it may have noticed that revenues were not being recorded in the correct funds. ...

years. The Deputy Supervisor and a Board member told us they were unaware of the annual audit requirement. Had the Board completed an audit, it may have noticed that revenues were not being recorded in the correct funds, and it could have initiated corrective action. In addition, without an annual audit, Town officials are at risk of not detecting and correcting errors, irregularities or potentially fraudulent activity in a timely manner.

What Do We Recommend?

The Supervisor should:

1. Maintain complete, accurate and timely accounting records and financial reports for each Town fund.
2. Ensure budgetary accounts are properly recorded in the accounting system to track the original budget and any budget activity.
3. Prepare and provide accurate, detailed monthly financial reports to the Board which include a list of all money received and disbursed, budget-to-actual comparisons of revenues and expenditures, fund balance amounts and reconciled cash balances for each fund.
4. Provide adequate oversight of the bookkeeper to ensure outstanding AFRs are completed and future AFRs are submitted within 60 days after the close of the fiscal year.
5. Submit the required tax cap forms to OSC in a timely manner.
6. Submit an annual accounting to the Board on or before January 20 for all funds received and disbursed during the preceding year. Additionally, produce all books, records, receipts and canceled checks for the Board's inspection.

The Board should:

7. Ensure that the Supervisor provides accurate, detailed monthly financial reports that can be used to monitor and manage financial operations.
8. Audit or provide for an audit of the Supervisor's records and reports annually.

Appendix A: Response From Town Officials

TOWN OF GERMAN

Patricia Pittsley
Town Supervisor
PO Box 237
Cincinnatus, NY 13040

607 / 745-9068



COUNTY OF CHENANGO BOARD OF SUPERVISORS



2

5 Court Street
Norwich, N. Y. 13815

June 26, 2023

Town of German

PO Box 237

Cincinnatus, NY 13040

RE: Town of German Supervisor's Records and Reports Audit

To Whom it may concern:

The Town of German Town Board, and I, Patricia Pittsley the Deputy Supervisor, have reviewed the Draft Audit Report received on June 13, 2023. We agree with the findings and have found no discrepancies.

The Town Board and Deputy Supervisor have addressed many of the concerns noted within the report, and we will be addressing the remaining concerns within the near future. These will all be included within the official CAP report to be submitted with 90 days.

Thank you for all of your help and support with this process.

Sincerely,

Patricia Pittsley

Town of German, Deputy Supervisor

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 meeting minutes to gain an understanding of the Town's processes and operations and to determine whether internal controls were in place over financial management.
- We reviewed the Town's financial information and, on a test basis, reviewed the available accounting records including the general ledger and adopted budgets to determine the results of operations and calculate changes in fund balance.
- We completed bank reconciliations for the general and highway fund checking accounts for the fiscal years ending 2020 through 2022 to determine whether the reconciled balances matched the cash balances recorded in the accounting records.
- We reviewed all revenues that were recorded in the Town's accounting software during the audit period to determine whether they were recorded in the correct account code and fund.
- We interviewed the Deputy Supervisor and reviewed records of AFR filings and tax cap forms submitted to determine whether the required AFRs and tax cap forms were completed and filed on a timely basis.

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 Town Clerk'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

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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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