



Town of Jay

Records and Reports

2023M-22 | June 2023

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Report Highlights

Town of Jay

Audit Objective

Determine whether the Town of Jay (Town) Supervisor maintained complete, accurate and timely accounting records and reports to allow the Town Board (Board) to effectively manage the Town's financial operations.

Key Findings

The Supervisor did not maintain complete, accurate and timely accounting records, and inadequate financial reports were provided to the Board. As a result, the Board lacked reliable records and reports to manage the Town's financial operations.

- Of the 15 asset and liability accounts we reviewed as of December 31, 2021 and October 31, 2022, five accounts were overstated by a total of \$19,037 and 13 accounts were understated by a total of \$269,353.
- Of the 10 revenue accounts we reviewed as of December 31, 2021 and October 31, 2022, two accounts were overstated by a total of \$927,546 and two accounts were understated by a total of \$18,317.
- Of the 10 expenditure accounts we reviewed as of December 31, 2021 and October 31, 2022, two accounts were overstated by a total of \$182,370 and two accounts were understated by a total of \$6,091.
- Seven capital projects were completed but not closed in the accounting records, and bank reconciliations were not prepared monthly or properly prepared for all bank accounts.

Key Recommendations

- Maintain complete, accurate and timely accounting records and close completed projects.
- Prepare and review bank reconciliations monthly.
- Provide the Board with adequate financial reports.

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

Background

The Town, located in Essex County (County), is governed by an elected five-member Board composed of the Supervisor and four Board members.

The Board is responsible for the general oversight of Town operations and finances. The Supervisor, as chief fiscal officer, is responsible for receiving, disbursing and retaining custody of Town money, maintaining accounting records and providing financial reports to the Board.

The former Supervisor retired effective August 1, 2021. The Deputy Supervisor performed the Supervisor's duties from August 1, 2021 until November 26, 2021, when the Board appointed the current Supervisor to complete the remainder of the former Supervisor's elected term. The current Supervisor was elected to serve a four-year term that began on January 1, 2022.

Quick Facts

2022 Appropriations	
General Fund	\$1,063,640
Highway Fund	\$1,253,677
Water Districts (3)	\$284,671
Sewer District	\$134,710
Population	2,475

Audit Period

January 1, 2021 – October 31, 2022

Records and Reports

How Does a Supervisor Properly Assign and Monitor Financial Duties?

Town supervisors must maintain an accurate and complete account of all funds received and disbursed. If a supervisor assigns these duties to a bookkeeper (e.g., clerk to the supervisor or administrative assistant), the supervisor must ensure there are no issues of incompatibility between the appointed bookkeeper and the duties of that position. In a town that does not have a town comptroller, a town clerk would have several duties incompatible with serving as a bookkeeper. For example, a town clerk must attest to a supervisor that the board has audited and approved claims prior to the supervisor paying the claims. In addition, a town clerk turns over funds they have collected to a supervisor. The separation of duties between the office of a supervisor, or appointed bookkeeper, and town clerk is intended to provide checks and balances over the powers and duties of these positions and is important for internal control purposes. In addition, if a town contracts with an independent contractor to perform some of the supervisor's financial duties, it should have a written agreement that indicates the specific services to be provided and the basis for compensation for those services.

If the supervisor assigns financial duties to a bookkeeper and/or independent contractor, the supervisor still maintains the responsibility for the accuracy and timeliness of the financial records. As such, the supervisor should provide adequate oversight over the work performed by the bookkeeper and/or contractor to ensure that it is complete, accurate and performed in a timely manner.

The Supervisor Did Not Properly Assign and Monitor Financial Duties

The Supervisor assigned his financial duties (e.g., maintaining the accounting records, processing payroll and accounts payable disbursements, and receiving, recording and depositing collections) to an appointed Clerk to the Supervisor in 2021. The former Town Clerk resigned in September 2020 and the Board did not appoint a Town Clerk to complete the remainder of her elected term that ended on December 31, 2021. Instead, as the Board-appointed Deputy Town Clerk, the Clerk to the Supervisor performed all Town Clerk duties in 2021.

The Clerk to the Supervisor was then elected to a four-year term as Town Clerk that began on January 1, 2022. The Board also appointed the Town Clerk to the position of administrative assistant in 2022. As administrative assistant, she was assigned and performed the Clerk to the Supervisor's financial duties during vacancies in this position in 2022.

The Board appointed a Clerk to the Supervisor on February 22, 2022, who resigned on April 1, 2022. The Board appointed another Clerk to the Supervisor on May 2, 2022, who was still employed as of the end of our audit period. The individuals appointed as Clerk to the Supervisor in 2022 were responsible for

processing payroll and accounts payable disbursements. As a result, the Town Clerk still performed financial duties (e.g., maintaining the accounting records and receiving, recording and depositing collections) in 2022, even when other individuals were employed as Clerk to the Supervisor.

The New York State Attorney General's office has opined that the office of the Town Clerk is incompatible with the Supervisor's bookkeeper position. In addition, combining the duties of the Town Clerk and the bookkeeper creates a significant weakness in the Town's internal control system. The current Supervisor and Board members told us although they were aware that these positions were incompatible, this occurred due to employee turnover and officials' inability to hire and fully train a new Clerk to the Supervisor on all financial duties as of the end of our audit period.

The Supervisor also assigned financial duties to an independent contractor during our audit period. However, officials did not enter into a written agreement with the contractor that indicated the specific services to be provided and the basis for compensation for those services. The contractor performed various financial duties during our audit period, such as preparing and posting journal entries, preparing bank reconciliations and preparing and filing the Town's 2021 annual financial report (AFR) with the New York State Office of the State Comptroller (OSC), and was compensated at an hourly rate for these services.

The Supervisor did not provide adequate oversight over the financial duties assigned to employees and the contractor. As a result, there were significant deficiencies with the Town's accounting records and reports that were not identified and corrected.

How Should Town Officials Maintain Accounting Records?

Town officials (officials) must maintain accounting records in a complete, accurate and timely manner so they are relevant and useful for managing town operations. Officials should document the assets, liabilities, fund equity and results of operations (revenues and expenditures) for each fund in the accounting records and account for financial transactions in the proper fund. A board can establish capital reserves to set aside and reserve portions of fund balance to finance future equipment and capital improvements. Officials should account for capital reserves in the operating fund that is providing the financing. Once a board authorizes a capital project, officials should transfer reserve fund money to the capital projects fund as needed to finance the project. In addition, officials should ensure that journal entries recorded in the accounting records are supported, properly recorded, posted in a timely manner, and independently reviewed and approved.

...[T]here were significant deficiencies with the Town's accounting records and reports that were not identified and corrected.

Because capital projects are budgeted on an individual project basis, and legal and contractual requirements may vary from one project to another, officials should establish an individual project fund for each authorized project and maintain corresponding individual accounting records for each. Once a project is completed, the board should adopt a resolution to close the project. Officials should then close the project in the accounting records and distribute any unexpended balance based on the project's funding source(s). Officials must transfer unexpended funds originating from bonds to the debt service fund (the fund used to account for and report accumulated resources restricted, committed or assigned to pay principal and interest on long-term debt) and use the funds for debt service payments on the related debt. Officials must return unexpended funds originating from interfund transfers or advances to the fund(s) that originally supplied the resources.

Accounting Records Were Not Properly Maintained

Funds – The Town's accounting records contained 25 separate funds with recorded balance sheet balances (i.e., assets, liabilities and fund equity) and/or revenues and expenditures during our audit period. However, the financial transactions recorded in eight (32 percent) of these funds should have been accounted for in another fund maintained in the accounting records.

For example, officials maintained five separate capital projects funds in the accounting records to account for five capital reserves (riverbank restoration, highway equipment, Au Sable Forks water district, Jay water district and Upper Jay water district). However, officials should have maintained the capital reserves in the corresponding operating fund that provided the financing (the general fund, highway fund, Au Sable Forks water district, Jay water district and Upper Jay water district, respectively). This occurred because officials told us they were not aware that they should account for capital reserves in the operating fund that is providing the financing. As of October 31, 2022, these five funds had recorded cash balances totaling \$438,836.

In addition, officials maintained a miscellaneous fund to account for a portion of funds received related to the American Rescue Plan Act (ARPA). However, officials should have accounted for the financial transactions related to this funding in the general fund. Officials properly maintained the other portion of ARPA funds the Town received in the general fund. Furthermore, starting in 2022, officials maintained another miscellaneous fund to account for funds received annually through the County's collection of occupancy tax to be used for promoting tourism. However, officials should have accounted for the financial transactions related to this funding in the general fund or the same fund that the 2022 adopted budget included estimated revenues and appropriations related to this funding.

The Town Clerk told us she set up these two miscellaneous funds because she felt it would be easier to account for the use of these funds and unspent funds from one year to the next if she maintained them in separate funds. As of October 31, 2022, the two funds contained recorded cash balances of \$99,796 and \$69,098, respectively.

Assets and Liabilities – We reviewed 15 asset and liability accounts¹ recorded in the accounting records as of December 31, 2021 and October 31, 2022. Ten accounts (67 percent) for 2021 and eight accounts (53 percent) for 2022 were not accurate.² Five accounts were overstated by a combined total of \$19,037 and 13 accounts were understated by a combined total of \$269,353.

For example, as of December 31, 2021, the general fund, highway fund, three water districts and sewer district had accounts payable balances that were understated by \$67,542 in total (Figure 1). This primarily occurred because officials did not properly record accrued expenditures at fiscal year-end 2021.

In addition, as of October 31, 2022, the sewer rents receivable balance in the sewer district had a recorded balance of \$8,050. However, the sewer rents receivable balance should have been \$26,300. The sewer rents receivable balance was understated by \$18,250 because the Town Clerk had not recorded the last quarterly billing of sewer rents for 2022 as of October 31, 2022.

Figure 1: Accounts Payable Balances – December 31, 2021

Fund	Amount Recorded	Actual Balance	(Understated)
General	\$2,199	\$26,127	(\$23,928)
Highway	15,862	49,672	(33,810)
Water District – Au Sable Forks	21,376	25,258	(3,882)
Water District - Jay	3,859	4,447	(588)
Water District – Upper Jay	583	1,096	(513)
Sewer District	251	5,072	(4,821)
Totals	\$44,130	\$111,672	(\$67,542)

The discrepancies with the asset and liability accounts we reviewed primarily occurred because officials did not properly accrue revenues and expenditures at fiscal year-end 2021, and did not record financial transactions in the accounting records properly or in a timely manner.

Revenues and Expenditures – We reviewed 10 revenue accounts³ recorded in the accounting records as of December 31, 2021 and October 31, 2022. Two accounts (20 percent) each year were not accurate. Two accounts were overstated by a combined total of \$927,546 and two accounts were understated

1 Refer to Appendix C for information on our sampling methodology.
 2 Refer to Appendix A for a list of the accounts reviewed.
 3 Refer to Appendix C for information on our sampling methodology.

by a combined total of \$18,317. For example, State aid revenues for a water project were overstated by \$927,321 in 2021 and sewer rents revenues were understated by \$18,250 in 2022.

We reviewed 10 expenditure accounts⁴ recorded in the accounting records as of December 31, 2021 and October 31, 2022. Three accounts (30 percent) for 2021 and one account (10 percent) for 2022 were not accurate. Two accounts were overstated by a combined total of \$182,370 and two accounts were understated by a combined total of \$6,091. For example, equipment and capital outlay expenditures for a water project were overstated by \$152,370 in 2021 and expenditures for legal services for a water district were understated by \$3,056 in 2021.

These discrepancies primarily occurred because officials did not properly accrue revenues and expenditures at fiscal year-end 2021 or record all expenditures with the proper account codes.

Journal Entries – We reviewed 20 journal entries⁵ recorded for financial transactions during our audit period. Seven journal entries (35 percent) were not properly recorded. For example, the Town Clerk incorrectly recorded two journal entries at fiscal year-end 2021 to cash and the corresponding revenue account for sales tax distributed by the County to the Town totaling \$39,859 and a grant reimbursement for a park improvements project totaling \$21,193. However, because these collections were not actually received by the Town until the end of January 2022, the recorded journal entries should have been to receivable accounts instead of cash. By recording these transactions in this manner, recorded cash was overstated at fiscal year-end 2021 by the same amounts. Officials did not identify these recording errors because no one independently reviewed and approved journal entries.

Furthermore, four journal entries (20 percent) we reviewed were not recorded in the accounting records in a timely manner. For example, the journal entry to record three grant reimbursements for a water project totaling \$48,314 that were received between January 7, 2021 and April 15, 2021 was recorded on June 29, 2021, or between 75 to 173 days after the corresponding transactions occurred. In addition, the journal entry to record payments of interest on serial bonds for the Jay water district totaling \$2,324 on September 3, 2021 was recorded on December 7, 2021, or 95 days after the corresponding transactions occurred.

The Supervisor's lack of oversight over maintenance of accounting records resulted in the Town's accounting records being incomplete, inaccurate, untimely

⁴ Ibid.

⁵ Ibid.

and unreliable. Without reliable accounting records, the Board’s ability to manage the Town’s financial condition and make sound financial decisions is limited.

Completed Projects Were Not Closed

The Board did not adopt a resolution to close any completed capital projects during our audit period. As of October 31, 2022, the accounting records contained separate capital projects funds for seven projects that were completed but not closed (Figure 2). Five of these projects were for capital improvements and the other two projects were for the purchase of heavy equipment that was financed by issuing debt. These projects all began after the 2014 fiscal year and were all completed by October 31, 2022.

The accounting records maintained for these seven projects all contained recorded balance sheet account balances even though the projects were completed. For example, the accounting records for the 2015 plow truck, 2016 plow truck and sewer pump station rehabilitation projects contained recorded bond anticipation notes payable balances of \$122,361, \$286,577 and negative \$1,475,000, respectively, although none of these projects had any remaining outstanding debt.

In addition, as of October 31, 2022, the accounting records for three projects contained recorded unexpended funds totaling \$82,450 that were on deposit. However, due to the state of the accounting records for the walking trail and riverbank stabilization projects and how long ago the projects started, officials were not able to readily determine the exact source of the recorded unexpended funds. As a result, officials could not determine how these unexpended funds should be distributed during our review.

For the Grove Park improvements project, the \$18,350 in recorded unexpended funds consisted of a portion of the final grant reimbursement received for this project in 2022. However, due to the state of the accounting records for this project and how long ago the project started, officials were not able to readily

Figure 2: Completed Capital Projects Not Closed Out as of October 31, 2022

Project	Year Started	Year Completed	Recorded Unexpended Funds
Capital Improvements			
Walking Trail	2014	2015	\$2,148
Riverbank Stabilization	2014	2018	61,952
Sewer Pump Station Rehabilitation	2018	2021	0
Au Sable Forks Water District Improvements	2018	2021	0
Grove Park Improvements	2015	2022	18,350
Heavy Equipment			
2015 Plow Truck	2014	2017	0
2016 Plow Truck	2016	2020	0
Total			\$82,450

determine which operating fund(s) paid for expenditures for this project prior to the grant reimbursements being received. As a result, officials could not determine which operating fund(s) these unexpended funds should be transferred to during our review.

Without a proper close-out of projects, the Board may be unaware of project overruns and cannot be assured that any unexpended funds are properly disbursed.

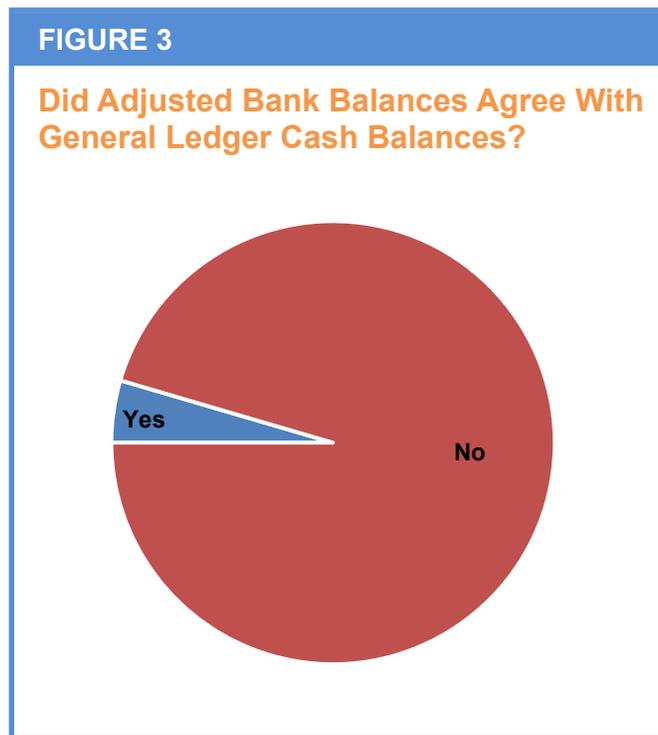
Why Should Officials Ensure Bank Reconciliations Are Prepared?

Officials should ensure bank account balances are reconciled to general ledger cash balances to allow for the timely identification and documentation of differences between a town’s accounting record balances and bank balances. Bank reconciliations also serve as an internal verification of cash receipt and disbursement transactions. As such, officials should ensure bank reconciliations are prepared and independently reviewed and approved monthly.

Officials Did Not Ensure Bank Reconciliations Were Prepared For All Bank Accounts, Properly Prepared or Reviewed

Bank reconciliations were not prepared for 34 of the 44 operating bank accounts (77 percent) that were open during the four months we selected during our audit period.⁶ This occurred because the independent contractor did not prepare bank reconciliations for savings accounts and generally only prepared bank reconciliations for two of the Town’s checking accounts.

We prepared bank reconciliations for the 44 operating bank accounts that were open during our sample months. The adjusted bank balances did not agree with the general ledger cash balances at month-end for 42 of the 44 bank accounts (95 percent), including the 10 bank reconciliations that the independent contractor prepared (Figure 3).



⁶ Ibid.

The discrepancies ranged from the adjusted bank balance exceeding the general ledger cash balance by \$437,132 to the general ledger cash balance exceeding the adjusted bank balance by \$42,164. These discrepancies primarily occurred because officials did not record financial transactions in the accounting records properly or in a timely manner.

In addition, the independent contractor prepared seven of the 10 bank reconciliations an average of 61 days after month-end. Furthermore, no one independently reviewed the bank statements and the bank reconciliations the independent contractor prepared during our audit period.

Had officials ensured bank reconciliations were prepared for all bank accounts, they may have identified and corrected recording errors in the accounting records. In addition, because bank reconciliations were not prepared in a timely manner, the Board's ability to monitor the Town's cash position and make informed financial decisions was hindered.

How Should Officials Report Financial Information?

A supervisor must provide a board with a monthly report detailing all money received and disbursed during the month. The report should also include reconciled cash balances for each fund and comparisons of actual revenues and expenditures to amounts estimated in the annual budget (budget status reports). Because a board is responsible for monitoring the financial status of individual projects, it should also receive monthly financial reports comparing actual revenues and expenditures for each project with the related budget.

The Supervisor is required to file an AFR with OSC within 60 days following the close of the fiscal year and may be approved for a 60-day extension. The AFR provides a board, town residents and other interested parties with a town's financial position at a point in time and a complete summary of the financial activities for the fiscal year. A board should have procedures in place to review the report to ensure it is accurate and supported by the accounting records.

The Supervisor Did Not Provide the Board with Adequate Monthly Reports

The Supervisor did not provide the Board with adequate monthly financial reports that would enable it to effectively monitor the Town's financial operations, and Board members did not request any additional information. The Supervisor did not provide the Board with monthly reports detailing all money received and disbursed each month as required.

The Board was provided with seven monthly cash balance reports during our 22-month audit period (two in 2021 and five in 2022), and none of them contained reconciled cash balances for all funds. For example, six of these reports contained cash balances for the Town's savings accounts, but did not include reconciled cash balances for the Town's either nine or 10 operating checking accounts that were open during the same months.

The Board was also not provided with budget status reports for eight of the 22 months (36 percent) during our audit period. In addition, the budget status reports provided to the Board included financial information for the general fund, highway fund, three water districts and sewer district. However, the budget status reports did not include financial information for the recreation fund, ambulance district, community development fund, two miscellaneous funds and capital projects funds maintained for projects and capital reserves. Officials did not record budgeted amounts in the financial application for these funds. As a result, even if budget status reports were generated from the financial application for these funds, they would not have contained a budget comparison.

Without complete monthly financial reports, the Board cannot exercise adequate oversight of financial operations and be aware of the Town's true financial condition.

The AFR Was Not Complete and Accurate

The independent contractor prepared the 2021 AFR using the accounting records. As a result, the AFR was inaccurate because no adjustments were made to correct the previously noted errors and deficiencies in the accounting records.

The total revenues and expenditures recorded for each fund in the accounting records did not always agree to the corresponding balances recorded in the 2021 AFR. For example, the recorded revenues and expenditures totaling \$13,410 each for a playground improvement project were not included in the AFR, although the revenues were realized and expenditures were incurred in 2021. Similarly, the recorded expenditures totaling \$2,843 for a park improvement project were not included in the AFR, although the expenditures were incurred in 2021. Although the Supervisor and Board members were provided with the 2021 AFR for their review, they were not aware of these discrepancies because they did not compare the AFR to the accounting records.

The lack of an accurate AFR prevented the Board, residents and other interested parties access to reliable financial information to measure the effectiveness of operations and the Town's overall fiscal health.

The Board was provided with seven monthly cash balance reports during our 22-month audit period (two in 2021 and five in 2022), and none of them contained reconciled cash balances for all funds.

Why Should the Board Perform an Annual Audit of the Supervisor's Records?

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

The Board Did Not Perform An Annual Audit of the Supervisor's Records

The Supervisor did not provide an annual accounting and the Board did not audit, or contract with an independent public accountant to audit, the Supervisor's records for 2021. The current Supervisor told us he was unaware of the annual audit requirement of his records, and the Board members did not provide us with an explanation as to why they did not perform an annual audit. Had the Board performed the annual audit, the deficiencies found during our audit could have been identified and corrected sooner.

What Do We Recommend?

The Supervisor should:

1. Appoint a bookkeeper that does not have incompatible duties, such as those of the Town Clerk.
2. Oversee the work performed by the bookkeeper and contractor on his behalf to ensure that it is complete, accurate and performed in a timely manner.
3. Research the completed projects with recorded unexpended funds identified in this report to determine how these funds should be properly disbursed.
4. Prepare and provide the Board with monthly financial reports which include all money received and disbursed, budget-to-actual comparisons and reconciled cash balances for each fund.

The Board and Supervisor should ensure:

5. The accounting records are complete, accurate and maintained in a timely manner.
6. Financial transactions are recorded in the correct funds in the accounting records and unnecessary funds are not maintained.
7. The accounting records are adjusted to properly reflect correct account balances.
8. Journal entries are properly recorded, posted in a timely manner, and independently reviewed and approved.
9. Complete and accurate bank reconciliations are prepared monthly and, along with the bank statements, are independently reviewed and approved.
10. The financial information presented in the AFR is accurate and supported by the accounting records.

The Board should:

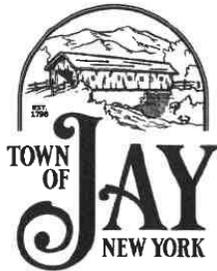
11. Enter into a written agreement with the contractor providing financial services that outlines the specific services to be provided and the basis for compensation for those services.
12. Adopt a resolution to close out completed projects, and develop procedures to ensure projects are closed in a timely manner and the Supervisor properly distributes any unexpended funds.
13. Annually audit the Supervisor's records and reports or contract with an independent public accountant to conduct the audit.

Appendix A: Inaccurate Asset and Liability Accounts

Figure 4: Asset and Liability Accounts Reviewed

Fund	Account	Account Accurate
December 31, 2021		
Assets		
General	Cash in Time Deposits	No
	Accounts Receivable	No
Highway	Cash in Time Deposits	No
Water District – Au Sable Forks	Accounts Receivable	Yes
Water District - Jay	Accounts Receivable	Yes
Water District – Upper Jay	Accounts Receivable	Yes
Sewer District	Sewer Rents Receivable	Yes
Capital Projects – Playground Project	Cash	No
Capital Projects – Water Project	Cash	Yes
Liabilities		
General	Accounts Payable	No
Highway	Accounts Payable	No
Water District – Au Sable Forks	Accounts Payable	No
Water District - Jay	Accounts Payable	No
Water District – Upper Jay	Accounts Payable	No
Sewer District	Accounts Payable	No
October 31, 2022		
Assets		
General	Cash in Time Deposits	No
	Accounts Receivable	No
Highway	Cash in Time Deposits	Yes
Water District – Au Sable Forks	Cash in Time Deposits	Yes
	Accounts Receivable	Yes
Water District - Jay	Cash in Time Deposits	Yes
	Accounts Receivable	Yes
Water District – Upper Jay	Cash in Time Deposits	Yes
	Accounts Receivable	Yes
Sewer District	Sewer Rents Receivable	No
Capital Projects – Playground Project	Cash	No
Capital Projects – Water Project	Cash	No
Liabilities		
General	Accounts Payable	No
	Other Liabilities	No
	Overpayments	No

Appendix B: Response From Town Officials



Matthew Stanley
Town Supervisor
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TOWN OF JAY Office of the Supervisor

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Au Sable Forks, NY 12912
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Michelle Axtell
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supervisorsclerk@townofjayny.gov

June 13, 2023

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NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Unit Name: Town of Jay
Audit Report Title: Records and Reports
Audit Report Number: 2023-M-22

[REDACTED]

The Town of Jay has received the New York State Audit entitled, "Town of Jay – Records and Reports, 2023M-22" which covered the audit period January 1, 2021 – October 31, 2022. The Town of Jay Town Board and I acknowledge the findings within this report. We have been taking and will continue to make the corrective actions recommended by the Office of the New York State Comptroller.

The following Corrective Action Plan was approved by the Town of Jay Town Board during its Regular Monthly Meeting on June 8th, 2023 by Resolution Number 2023-248:

1. Audit Recommendation:

Appoint a bookkeeper that does not have incompatible duties, such as those of the Town Clerk.

Implementation Plan of Action:

In May 2022, the Supervisor hired a new Clerk to the Supervisor to assume the accounting duties. The former Clerk to the Supervisor, who was elected Town Clerk, has been slowly teaching the new clerk. The duties will be fully separated within the next year.

Implementation Date:

May 2022 – December 2023

Person Responsible for Implementation:

Supervisor Stanley

2. Audit Recommendation:

Oversee the work performed by the bookkeeper and contractor on his behalf to ensure that it is complete, accurate and performed in a timely manner.



Matthew Stanley
Town Supervisor
supervisor@townofjayny.gov

TOWN OF JAY

Office of the Supervisor

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Michelle Axtell
Clerk to the Supervisor
supervisorsclerk@townofjayny.gov

Implementation Plan of Action:

To remedy this problem, additional staff was hired and trained to accurately perform the necessary duties to bring the work up to date. At this time, all accounting is up to date and accurate.

Implementation Date:

May 2022 – December 2022

Person Responsible for Implementation:

Supervisor Stanley

3. **Audit Recommendation:**

Research the completed projects with recorded unexpended funds identified in this report to determine how these funds should be properly disbursed.

Implementation Plan of Action:

We researched each of these projects and funds, with recommendations from the Office of the New York State Comptroller, we are in the process of transferring the amounts to the appropriate accounts and closing them thereafter.

Implementation Date:

June 2023

Person Responsible for Implementation:

Supervisor Stanley

4. **Audit Recommendation:**

Prepare and provide the Board with monthly financial reports which include all money received and disbursed, budget-to-actual comparisons and reconciled cash balances for each fund.

Implementation Plan of Action:

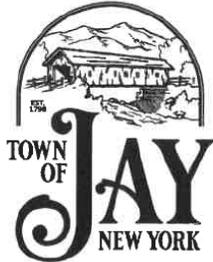
All money received and disbursed, operating statements comparing budget to actuals, and reconciled cash balances for all funds will be shared with the Town Board of the Town of Jay.

Implementation Date:

June 2023

Person Responsible for Implementation:

Supervisor Stanley



Matthew Stanley
Town Supervisor
supervisor@townofjayny.gov

TOWN OF JAY

Office of the Supervisor

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Michelle Axtell
Clerk to the Supervisor
supervisorsclerk@townofjayny.gov

5. **Audit Recommendation:**

The accounting records are complete, accurate and maintained in a timely manner.

Implementation Plan of Action:

The Supervisor will provide the Town Board with monthly operating statements, bank balances, deposits, and disbursements to make sure the records are complete and accurate.

Implementation Date:

June 2023

Person Responsible for Implementation:

Supervisor Stanley and the Town Board

6. **Audit Recommendation:**

Financial transactions are recorded in the correct funds in the accounting records and unnecessary funds are not maintained.

Implementation Plan of Action:

We will continue to remove and consolidate unnecessary funds located in our accounting records, and should have this task completed by year end.

Implementation Date:

January 2023 – December 2023

Person Responsible for Implementation:

Supervisor Stanley and Independent Contractor

7. **Audit Recommendation:**

The accounting records are adjusted to properly reflect correct account balances.

Implementation Plan of Action:

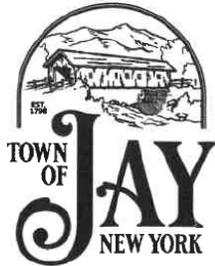
Receipts will be deposited in a timely manner, accounts payable will be utilized for expected income due, and accounting entries will be made the date of the transaction to avoid improper account balances.

Implementation Date:

April 2023

Person Responsible for Implementation:

Supervisor Stanley and the Clerk to the Supervisor



Matthew Stanley
Town Supervisor
supervisor@townofjayny.gov

TOWN OF JAY

Office of the Supervisor

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Au Sable Forks, NY 12912
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Michelle Axtell
Clerk to the Supervisor
supervisorsclerk@townofjayny.gov

8. Audit Recommendation:

Journal entries are properly recorded, posted in a timely manner, and independently reviewed and approved.

Implementation Plan of Action:

Journal entries will be made in a timely manner. The journal entries are then reviewed for accuracy by a second person whether it be the Supervisor and/or an independent contractor.

Implementation Date:

April 2023

Person Responsible for Implementation:

Supervisor Stanley and Independent Contractor

9. Audit Recommendation:

Complete and accurate bank reconciliations are prepared monthly and, along with the bank statements, are independently reviewed and approved.

Implementation Plan of Action:

Bank accounts will be reconciled as soon as statements are available. The Clerk to the Supervisor will continue to be trained to accomplish this task. The independent contractor will double check the reconciliation monthly to ensure accuracy.

Implementation Date:

July 2023 – December 2023

Person Responsible for Implementation:

Supervisor Stanley, Clerk to the Supervisor, and Independent Contractor

10. Audit Recommendation:

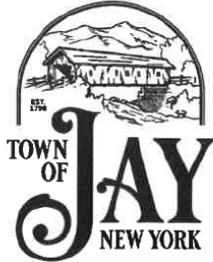
The financial information presented in the AFR is accurate and supported by the accounting records.

Implementation Plan of Action:

The accounting records will be accurate as the Supervisor will share with the Town Board monthly records. An annual audit will be performed by the Town Board of the Supervisor's accounting records prior to the AFR being submitted.

Implementation Date:

February 2024



Matthew Stanley
Town Supervisor
supervisor@townofjayny.gov

TOWN OF JAY

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Person Responsible for Implementation:

Supervisor Stanley, Town Board, Clerk to the Supervisor, Independent Contractor

11. Audit Recommendation:

Enter into a written agreement with the contractor providing financial services that outlines the specific services to be provided and the basis for compensation for those services.

Implementation Plan of Action:

The Town of Jay will enter into a written agreement with a contractor providing financial services to state expectations as well as outline the rate of pay for those services.

Implementation Date:

January 2024

Person Responsible for Implementation:

Supervisor Stanley and Town Attorney

12. Audit Recommendation:

Adopt a resolution to close out completed projects, and develop procedures to ensure projects are closed in a timely manner and the Supervisor properly distributes and unexpended funds.

Implementation Plan of Action:

The Town of Jay has adopted a resolution in the June 8, 2023 Regular Board meeting to close out current completed projects. Now that the Supervisor has a better understanding of the handling of project funding, such as grant and loan funds, entries will be made correctly and in a timely manner to close out a project at completion.

Implementation Date:

June 2023

Person Responsible for Implementation:

Supervisor Stanley, Town Board and Independent Contractor

13. Audit Recommendation:

Annually audit the Supervisor's records and reports or contract with an independent public accountant to conduct the audit.



Matthew Stanley
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Implementation Plan of Action:

The Town of Jay Town Board will conduct an annual audit of the Supervisor's records and reports based on the Office of the New York State Comptroller Appendix C – Checklist for Review of the Chief Fiscal Officer's Records.

Implementation Date:

January 2024

Person Responsible for Implementation:

Town Board

Signed: / /

Matthew Stanley
Town of Jay Supervisor

6/13/23

Date

Appendix C: 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 officials and the independent contractor and reviewed various financial records and reports and Board minutes to gain an understanding of the Town's procedures for maintaining accounting records, closing completed projects, preparing bank reconciliations and reporting financial transactions.
- We assessed whether any employees that were assigned financial duties by the Supervisor performed incompatible duties.
- We interviewed officials and the independent contractor to determine whether the Town entered into a written agreement with the contractor that indicated the specific services to be provided and the basis for compensation for those services.
- We reviewed the accounting records during our audit period to determine whether separate accounting records including assets, liabilities, fund equity, revenues and expenditures were maintained for each fund. We also determined whether separate funds were maintained for financial transactions that should have been accounted for in another fund maintained in the accounting records.
- We used our professional judgment to select a sample of 15 asset and liability accounts recorded in the accounting records as of December 31, 2021 and October 31, 2022 to determine whether they were properly recorded and accurate. Our sample for December 31, 2021 consisted of three general fund accounts, two highway fund accounts, two accounts for each of the three water districts and sewer district, and one account for two capital projects funds. Our sample for October 31, 2022 consisted of five general fund accounts, two accounts for each of the three water districts and one account for the highway fund, sewer district and two capital projects funds. We selected these accounts based on the account balance amounts.
- We used our professional judgment to select a sample of 10 revenue accounts and 10 expenditure accounts recorded in the accounting records as of December 31, 2021 and October 31, 2022 to determine whether they were accurate and recorded in the proper fund. Our sample of revenues for December 31, 2021 consisted of the two largest revenue accounts for the general fund and highway fund and largest revenue account for each of the three water districts, sewer district and two capital projects funds. Our sample of revenues for October 31, 2022 consisted of the three largest revenue accounts for the general fund and highway fund and largest revenue account for each of the three water districts and sewer district. Our sample

of expenditures for December 31, 2021 consisted of two accounts for the general fund and highway fund and one account for each of the three water districts, sewer district and two capital projects funds. Our sample of expenditures for October 31, 2022 consisted of four general fund accounts, two highway fund accounts and one account for each of the three water districts and sewer district. We selected expenditure accounts based on the account balance amounts and included expenditure accounts with various object codes.

- We used our professional judgment to select a sample of 20 journal entries that were recorded for financial transactions during our audit period to determine whether they were supported, for appropriate purposes, properly recorded, posted in a timely manner, and independently reviewed and approved. Our sample included journal entries with transaction dates throughout our audit period.
- We reviewed all seven completed projects accounted for in capital projects funds as of October 31, 2022 to determine whether any unexpended funds were properly distributed.
- We randomly selected four months during the audit period (April 2021, December 2021, February 2022 and September 2022) to determine whether monthly bank reconciliations were prepared, agreed with the general ledger cash balances and were independently reviewed. This review consisted of six bank accounts for April 2021, 10 bank accounts for both December 2021 and February 2022 and 18 bank accounts for September 2022.
- We assessed the adequacy of the monthly financial reports the Supervisor provided to the Board during our audit period.
- We compared all asset and liability accounts and the total revenues and expenditures for each fund in the accounting records at fiscal year-end 2021 to the corresponding balances reported in the 2021 AFR to determine whether they agreed.
- We used our professional judgment to select a sample of 15 asset and liability accounts reported in the 2021 AFR to determine whether they were properly recorded and accurate. Our sample consisted of four general fund accounts, two highway fund accounts, two accounts for each of the three water districts and sewer district, and one capital projects fund account. We selected these accounts based on the account balance amounts.
- We used our professional judgment to select a sample of 10 revenue accounts and 10 expenditure accounts reported in the 2021 AFR to determine whether they were accurate and recorded in the proper fund. Our sample of revenues consisted of the three largest general fund revenue accounts, two largest highway fund revenue accounts and largest revenue account for each of the three water districts, sewer district and one capital

projects fund. Our sample of expenditures consisted of three general fund accounts, two highway fund accounts and one account for each of the three water districts, sewer district and one capital projects fund. We selected expenditure accounts based on the account balance amounts and included expenditure accounts with various object codes.

- We interviewed officials and reviewed Board minutes to determine whether the Board had audited, or obtained an audit of, the Supervisor's records and reports for the 2021 fiscal year.

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 D: 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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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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