



Town of New Albion

Town Supervisor's Financial Duties

2023M-46 | June 2023

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Report Highlights

Town of New Albion

Audit Objective

Determine whether the Town of New Albion (Town) Town Supervisor (Supervisor) adequately performed his financial duties.

Key Findings

The Supervisor did not perform his financial duties or obtain training on how to perform his duties and was unfamiliar with the duties of his office. The Town Clerk (Clerk) and the bookkeeper performed the Supervisor's financial duties without oversight.

The segregation of duties between Town officials is an important internal control for preventing errors and misappropriation of assets. By allowing others to perform his duties without oversight, the Supervisor has weakened internal controls.

For example, from January 1, 2022 through September 30, 2022, the Clerk collected and deposited \$937,815 on behalf of the Supervisor and performed the Supervisor's payroll duties with limited oversight. The bookkeeper performed many of the Supervisor's other day-to-day financial duties, including recording cash receipts and disbursements into the accounting records, preparing the monthly bank reconciliations and generating all of the Supervisor's reports to the Board.

Key Recommendations

- Properly oversee individuals with delegated responsibilities and ensure the delegations do not conflict with laws regarding incompatibility of office.
- Complete training on how to perform the Supervisor's financial duties, including maintaining the accounting records and types of reports.

Town officials generally agreed with our findings and indicated that they plan to initiate corrective action.

Background

The Town, located in Cattaraugus County (County), is governed by an elected Town Board (Board) composed of five members, including the Supervisor. The Board is responsible for the general oversight and management of the Town's operations and finances.

The Supervisor is the chief financial officer and is responsible for the day-to-day financial operations, including maintaining accounting records and providing monthly financial reports to the Board.

Because the Village of Cattaraugus is located within the Town's boundaries, the Town maintains four operating funds to account for financial activity.

Quick Facts

2022 Tax Levy	\$546,035
2022 Appropriations	\$1,050,390
Population	1,958

Audit Period

January 1, 2021 – November 9, 2022

Supervisor's Financial Duties

What Are a Supervisor's Financial Responsibilities?

As the chief financial officer, a town supervisor (supervisor) is responsible for collecting money belonging to or due to the town, paying board-approved claims, maintaining complete and accurate accounting records, and providing detailed monthly financial reports to the board.

A supervisor should ensure duties are properly segregated so that one employee is not responsible for all phases of a transaction (e.g., recordkeeping, billing, and collecting and depositing cash receipts). The separation of duties between the supervisor, 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.

If a bookkeeper is appointed to assist a supervisor in fulfilling their financial duties, the supervisor remains responsible for these functions and should provide sufficient oversight to ensure the bookkeeper maintains adequate records, documents financial activity accurately, provides useful reports to the board and prepares and files financial reports as required. As part of this oversight, a supervisor should periodically review the accounting records and perform or review monthly bank reconciliations.

A supervisor must 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 in the current period and year to date, current cash balances and budget-to-actual comparisons of revenues and expenditures for each fund.

The Town Clerk and the Bookkeeper Performed the Supervisor's Duties Without Oversight

The Supervisor's records we reviewed were complete and accurate, but the Clerk and the bookkeeper performed the Supervisor's financial duties without oversight.

The Clerk collected and deposited all Town money, including money that should have been collected and deposited by the Supervisor such as revenues remitted to the Supervisor from the Clerk and Town Justices. From January 2022 through September 2022, the Clerk collected and deposited \$937,815 in revenues that should have been collected and deposited by the Supervisor.

The Supervisor told us that the Clerk collected money and made the deposits on his behalf because she was at Town Hall every day. However, the Clerk and Supervisor have functions that serve as checks against one another that do not exist unless those duties are performed by separate individuals. For example, the Clerk is responsible for authorizing and directing the Supervisor to pay claims that have been audited and approved by the Board. The Clerk's role in preparing the

abstract of audited claims (list of claims approved for payment) serves as a check on the Supervisor and helps prevent him from having the ability to issue payments and process disbursements on his own and without Board approval. When the Clerk performs the duties of both offices, these controls have been weakened and there is an increased risk that funds could be misappropriated and improper transactions concealed.

Additionally, the Clerk performed the Supervisor's payroll duties with limited oversight. The Clerk performed key payroll duties like entering employees' hours worked and rates of pay and printing and distributing payroll checks. Although the Supervisor reviewed payroll registers and payroll checks, his review did not sufficiently mitigate the risk of not properly segregating key payroll duties and delegating his payroll duties to the Clerk. We reviewed payroll registers and disbursements and found minor discrepancies which we discussed with Town officials.¹

The bookkeeper performed many of the Supervisor's other day-to-day financial duties without adequate oversight. The bookkeeper recorded cash receipts and disbursements into the accounting records using reports provided by the Clerk, prepared the monthly bank reconciliations and generated all of the Supervisor's reports to the Board. The bookkeeper provided the Supervisor and Board with monthly budget-to-actual reports and a summary report with total monthly revenues and disbursements; however, these monthly reports did not include current cash balances. Without current cash balances, the Board was unable to properly monitor the Town's cash flow and overall financial condition.

Although the bookkeeper's role is to assist the Supervisor in carrying out his financial duties, the Supervisor should provide oversight and review the bookkeeper's work to ensure his financial duties are performed correctly and detect and correct errors. For example, the Supervisor could provide oversight by reviewing the accuracy of bank reconciliations, verifying outstanding checks and reviewing canceled check images. The bookkeeper prepared the monthly bank reconciliations, which we found to be prepared timely and accurately; however, the Supervisor did not review them. The Supervisor told us that he did not think reviewing bank reconciliations was his responsibility. The bookkeeper told us that he always prepared the bank reconciliations, even prior to the current Supervisor. Although preparing bank reconciliations can be delegated to the bookkeeper, the Supervisor is the chief financial officer and is responsible for ensuring that the bookkeeper maintains accurate accounting records and performs his job duties accurately.

The bookkeeper performed many of the Supervisor's other day-to-day financial duties without adequate oversight.

¹ Refer to Appendix B for further information on our testing methodology.

The Supervisor told us that this was how prior officials handled the Supervisor's duties, so he continued the practices. The Supervisor has not taken any training on how to perform his duties, including maintaining the accounting records and types of reports that should be prepared each month. The Supervisor told us that he believed it was acceptable to share his financial duties between himself, the bookkeeper and the Clerk, and he was not aware of or familiar with the laws establishing the powers and duties of the Supervisor or the incompatibility between his office and the Clerk's office.

Due to the control weaknesses created by the Clerk and bookkeeper performing the Supervisor's financial responsibilities, we reviewed bank reconciliations for variances in the cash balances and to determine whether they were prepared timely and accurately. We traced cash receipts to the accounting records to determine whether they were recorded accurately and deposited timely and intact, and compared Board-approved abstracts with disbursements and canceled checks to identify any discrepancies.² We found minor discrepancies which we discussed with Town officials.

Without training to educate the Supervisor of the responsibilities of the office, he cannot ensure that financial duties are being adequately or accurately completed. For guidance on carrying out the duties of his office, the Supervisor should refer to our publication *Information for Town Officials*.³

What Do We Recommend?

The Supervisor should:

1. Properly collect and deposit Town money or ensure that allowing other individuals to perform this financial duty does not result in an incompatibility of office.
2. Segregate key payroll-related job duties and ensure that allowing other individuals to perform the payroll function does not result in an incompatibility of office.
3. Provide, or direct the bookkeeper to provide, detailed monthly financial reports to the Board which include current cash balances.
4. Properly monitor the bookkeeper performing his financial duties by periodically reviewing records and reports, verifying the accuracy of the

² Refer to Appendix B for further information on our testing methodology.

³ <https://www.osc.state.ny.us/files/local-government/publications/2020/pdf/information-for-town-officials.pdf>

bank reconciliations and outstanding checks and reviewing canceled check images.

5. Attend applicable and beneficial training sessions to enable him to better understand and perform his financial duties. Training provided by OSC can be found at www.osc.state.ny.us/localgov/academy/index.htm.

Appendix A: Response From Town Officials

Town of New Albion

Patrick Murphy, Supervisor

Cynthia Eaton, Councilwoman
Michael Weishan, Councilman
Shery Rupp, Clerk

Daniel Goss, Councilman
Norman Kazmark, Councilman
David Rupp, Highway Superintendent

6/08/2023

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To: Melissa A. Myers, Chief of Municipal Audits

Audit Response

I Patrick Murphy, Supervisor for The Town of New Albion, agrees with the findings in the preliminary draft.

Sincerely,

Patrick Murphy
Town Supervisor
Town of New Albion

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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 Board members, the Supervisor, the bookkeeper and the Clerk and reviewed the Board meeting minutes to obtain an understanding of the accounting and reporting practices and to determine whether appropriate trainings were attended by officials.
- We compared the cash balances in the bank to the cash balances recorded in the accounting records as of December 31, 2021 and September 30, 2022 to determine whether variances existed. We reviewed bank reconciliations from January 2021 through September 2022 to verify that they were prepared and adequate.
- We traced all cash receipts from the State, County, Town Justice and Town Clerk/Tax Collector from January 1, 2022 through September 30, 2022 to the accounting records and bank statements to determine whether receipts were recorded accurately and deposited timely and intact.
- We compared all abstracts approved in the Board minutes to final abstracts maintained with disbursements from January 1, 2021 through July 31, 2022 to identify any discrepancies. Based on that review, we identified the disbursements from December 1, 2021 through January 30, 2022 to have the most risk and traced from abstracts to vouchers and canceled checks to identify any discrepancies.
- We compared the payroll registers from January 1, 2022 through July 31, 2022 to the bank transfers to identify any discrepancies. In addition, we scanned these payroll registers to determine whether all payments were made to Town employees and at the correct pay rate.

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 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

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