



Town of Venice

Supervisor's Financial Records and Reports

2023M-73 | August 2023

Contents

- Report Highlights 1**

- Supervisor’s Financial Records and Reports 2**
 - How Should the Supervisor Maintain Financial Records? 2
 - The Supervisor’s Financial Records and Reports Were Incomplete, Not Up-to-Date and Unreliable 3
 - The Supervisor Did Not File the AUDs Timely 5
 - The Supervisor Did Not Present an Annual Accounting to the Board for Audit 5
 - What Do We Recommend? 5

- Appendix A – Response From Town Officials 7**

- Appendix B – Audit Methodology and Standards 8**

- Appendix C – Resources and Services 10**

Report Highlights

Town of Venice

Audit Objective

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

Key Findings

The Supervisors' accounting records were not complete, accurate or up-to-date. As a result, transparency and the Board's ability to monitor financial operations were diminished. Of the 39 cash receipts totaling \$6.1 million and 81 cash disbursements totaling \$586,823 we reviewed:

- 20 cash receipts totaling \$3.1 million either did not match bank deposits or lacked adequate supporting documentation.
- 25 cash receipts totaling \$4.8 million were not recorded timely in the Supervisor's accounting records.
- 11 disbursements totaling \$39,038 were not recorded in the accounting records and eight disbursements totaling \$33,021 lacked adequate support documentation and were not Board approved.

In addition, bank reconciliations for 15 of the 36 months reviewed were not performed, the Town's 2020 required annual update document (AUD) was filed 310 days late and the 2021 and 2022 AUDs were not filed. Furthermore, the Supervisor did not present financial records and reports to the Board for audit, as required.

Key Recommendations

- Maintain accurate, supported and timely financial records, complete bank reconciliations and provide financial records and reports to Board.
- Ensure AUDs are filed in a timely manner.

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

Background

The Town is located in Cayuga County and is governed by an elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for overseeing the Town's operations and finances. The Supervisor is the chief financial officer and is responsible for various Town financial duties including recording financial transactions, maintaining accounting records, filing required reports and providing the Board with regular reports.

The former Supervisor served from January 2020 until their resignation in August 2020; at which time the current Supervisor was appointed to fill the remainder of the former Supervisor's four-year term. To assist with financial duties, the current Supervisor retained the former Supervisor as bookkeeper until a new bookkeeper was appointed in March of 2021. Three individuals served as bookkeeper during the audit period.

Quick Facts

2023 Budgeted Appropriations	\$1.3 million
January 1, 2020 – April 27, 2023	
Total Cash Receipts	
Received	\$7 million
Reviewed	\$6.1 million
Total Cash Disbursements	
Disbursed	\$8.7 million
Reviewed	\$586,823

Audit Period

January 1, 2020 – April 27, 2023

Supervisor's Financial Records and Reports

How Should the Supervisor Maintain Financial Records?

A town supervisor (supervisor) is responsible for maintaining accurate financial records that summarize the town's financial activities. A supervisor should ensure the accounting records document the assets, liabilities, fund balance and results of operations (revenues and expenditures) of each town fund.

The supervisor must also ensure the town's financial data is complete, accurate and up-to-date so that it is relevant and useful for managing town operations. For example, a supervisor should ensure all receipts and disbursements are properly recorded by reconciling bank account balances with the accounting records or reviewing reconciliations prepared by the bookkeeper. Monthly bank account reconciliations provide a way to identify, correct and document differences between the town's records and banking transactions. Any differences must be identified promptly and investigated, and records adjusted to ensure that all financial activities are properly accounted for in a timely manner and cash is safeguarded.

The supervisor should provide monthly financial reports to the board to facilitate timely and prudent financial decisions. These reports should include a detailed accounting of all money received and disbursed and detailed year-to-date budget-to-actual comparisons of revenues and expenditures for each fund. In addition, the supervisor is required by New York State Town Law Section 123 to annually present their records and reports to the board of all money received and disbursed during the year for audit.

If the supervisor assigns duties to a bookkeeper, the supervisor still maintains ultimate responsibility for the accuracy and timeliness of the financial records. As such, the supervisor must provide sufficient oversight to ensure the bookkeeper maintains suitable records, documents financial information accurately and in a timely manner, and provides useful financial reports to the board.

Additionally, New York State General Municipal Law, Section 30 requires the supervisor to file an annual update document (AUD) with the New York State Office of the State Comptroller (OSC) within 60 days of the end of the town's fiscal year. The AUD is a report of a town's financial position and results of operations. It is an important fiscal tool that provides the board with necessary information to monitor town operations and provides the residents and other interested parties with a summary of the town's financial activities.

Lastly, New York State Arts and Cultural Affairs Law, Section 57.25 requires records no longer needed for the conduct of the business of the office be transferred to the custody of the town clerk for their safekeeping and ultimate disposal.

The AUD is a report of a town's financial position and results of operations.

The Supervisor's Financial Records and Reports Were Incomplete, Not Up-to-Date and Unreliable

The former and current Supervisor did not ensure that the financial records and reports were complete, accurate, up-to-date or timely. The former Supervisor did not appoint a bookkeeper and solely performed all financial duties of the office, including maintaining the accounting records, receiving, recording and depositing cash receipts, making cash disbursements, preparing bank reconciliations, and providing the Board with monthly and annual financial reports. When the current Supervisor was appointed in August 2020, the records and reports to date for 2020 were incomplete. The current Supervisor initially retained the former Supervisor as bookkeeper until a new bookkeeper was appointed in March 2021. However, because the 2020 records were incomplete, the Supervisor and newly appointed bookkeeper fell behind with the 2021 records and reports. Ultimately, this bookkeeper resigned in April 2022 and the current bookkeeper was appointed in May 2022. The Board opted to contract with a consultant in August 2021 to assist with updating the records and filing the 2020 AUD. The contract with the consultant only pertained to the 2020 records, and although Town officials inquired about assistance with the 2021 records, the consultant did not have the availability to provide this assistance at the time.

We requested and reviewed available financial records for the period January 1, 2020 through December 31, 2022 and determined that cash receipts in 2021 had only been entered into the accounting records through May. Therefore, we requested the 2021 deposit records from the bank and determined deposits totaling \$383,652 had not been recorded in the accounting records.

We selected 39 cash receipts, from the accounting records, totaling \$6.1 million from all three completed fiscal years of our audit period to review and determined that 25 cash receipts totaling \$4.8 million were not recorded timely in the accounting records, ranging from four to 29 days after the deposit was made, and one deposit totaling \$7,251 was recorded 115 days prior to the actual bank deposit. Both Supervisors did not ensure that the accounting system records were kept up-to-date. For example, deposits were batch recorded. Additionally, we identified 11 capital project fund deposits totaling \$2.6 million that were not recorded timely in 2022 because the Supervisor and bookkeeper were unsure how to best account for these funds.

We also determined that 11 cash receipts totaling \$1.1 million did not match bank deposits, and 20 recorded cash receipts totaling \$3.1 million lacked adequate supporting documentation, such as a duplicate receipt, copy of the check, invoice or contract (Figure 1).¹ Without sufficient supporting cash receipts documentation,

¹ Eleven of these cash receipts, totaling approximately \$500,000, both did not match the bank deposits and lacked adequate supporting documentation.

Town officials cannot ensure all money received is being properly accounted for. The Supervisor and bookkeeper indicated that the missing records were most likely due to previous bookkeepers working from home and records not being brought back to the Town for storage.

Figure 1: Tested Receipts/Deposits Inadequately Recorded and Supported

	2020	2021	2022	Total
Number of Reviewed Deposits	15	9	15	39
Amount of Reviewed Deposits	\$1,608,401	\$946,554	\$3,530,385	\$6,085,340
Number of Untimely Recorded Deposits	10	4	11	25
Amount of Untimely Recorded Deposits	\$1,246,550	\$938,994	\$2,655,858	\$4,841,402
Variance (%)	78%	99%	75%	80%
Number of Inadequately Supported Deposits	14	4	2	20
Amount of Inadequately Supported Deposits	\$1,603,726	\$938,994	\$555,389	\$3,089,109
Variance (%)	~100%	99%	16%	51%

We also selected and reviewed 36 cash disbursements from the bank statements totaling \$124,391 from 2020 through 2022 to determine whether they were properly recorded in the accounting software. Eleven disbursements totaling \$39,038 were not properly recorded.

We tested 45 additional cash disbursements from 2020 through 2022 totaling \$462,432 to determine whether the recorded amounts in the accounting software were adequately supported and Board approved. We determined that all cash disbursements recorded for 2022 had appropriate supporting documentation and were Board approved. However, for 2020 and 2021, eight cash disbursements totaling \$33,021 did not have sufficient documentation and were not Board approved. While these claims were of a nature typical for municipal purposes, without sufficient supporting documentation and prior approval, the Board could not know whether the purchases were for appropriate purposes.

In addition, monthly bank reconciliations for the Town’s general operating checking account were not performed for 15 of the 36 months reviewed (Figure 2). When bank reconciliations are not performed, differences between a bank balance and accounting records cannot be identified and investigated. As a result, unidentified accounting errors increases the risk that fraudulent transactions could occur and go undetected. Additionally, if the Supervisor and/or Board routinely reviewed and compared the adjusted bank balances to recorded cash balances, they would have been aware of information not being recorded accurately and

Figure 2: General Operating Checking Account Bank Reconciliations

	2020	2021	2022
Not Prepared	2	12	1

timely in the financial records. The current bookkeeper stated she is working to update the accounting records and prepare the bank reconciliations.

The former Supervisor also did not provide the Board with a monthly Supervisor's report detailing cash balances and all money received and disbursed and did not provide budget status reports. The current Supervisor provided the monthly Supervisor's report as required; however, he only provided budget status reports on a quarterly basis. Without current and accurate accounting records, the Board's ability to make sound financial decisions is limited.

The Supervisor Did Not File the AUDs Timely

The current Supervisor did not file the AUD for the 2020 fiscal year in a timely manner, as it was filed on January 5, 2022, which was 310 days late. The AUDs for 2021 or 2022 had not been filed as of the end of our audit fieldwork. The Supervisor and Board members interviewed stated that these reports have not been filed due to the absence of up-to-date financial records.

Not properly and timely filing AUDs hinders transparency and the public and other stakeholders' ability to monitor Town operations.

The Supervisor Did Not Present an Annual Accounting to the Board for Audit

Neither the former nor the current Supervisor annually accounted to the Board all money received and disbursed during the year by presenting records and reports to the Board for audit. Under the former Supervisor, two Board members indicated that although they requested financial records, none were provided. The current Supervisor was unaware of this requirement.

Without an annual audit, officials are at risk of not being able to detect and correct errors, irregularities or fraudulent activity in a timely manner. In addition, the Board's ability to monitor financial operations is diminished.

What Do We Recommend?

The Board should:

1. Annually audit the Supervisor's books and records as required.
2. Properly audit and approve all claims for payment.

The Supervisor should:

3. Ensure the Board is provided accurate and timely financial reports each month, including reconciled cash balances and budget status for all funds.

-
4. Annually present financial records and reports to the Board for audit as required.
 5. Transfer records no longer needed for the conduct of official business to the Town Clerk.
 6. File the delinquent AUDs.

The Board and Supervisor should:

7. Ensure bank reconciliations are prepared and reviewed timely.
8. Ensure cash receipts and disbursements are recorded accurately and timely in the financial records, and that cash activity reconciles to supporting documentation.
9. Ensure AUDs are filed in a timely manner.

Appendix A: Response From Town Officials

Town of Venice

2479 State Route 34
Venice Center, New York 13147
Phone & fax: 315-364-9512
supervisor@venicenyc.com
<http://www.cayugacounty.us/981/Venice-Town>

August 10, 2023

RE: Town of Venice Supervisor's Financial Records and Reports Audit

To Whom It May Concern:

The Town of Venice Town Board, and I, Supervisor Stefan McGonagle, have reviewed the Draft Audit Report received on July 13, 2023, as well as the corrected version that we received on August 9 following our July 19 exit conference with you. We agree with the findings and have found no discrepancies.

The Town Board and other Town personnel, working with an outside consultant, have addressed many of the concerns noted within the report, and we will be addressing the remaining concerns in the near future. Our corrective actions will be described in detail in the official Corrective Action Plan (CAP) to be submitted within 90 days after our receipt of the final version of your audit report.

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

Sincerely,

Stefan McGonagle
Town of Venice 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, policies and procedures to obtain an understanding of the Town's financial and oversight processes.
- We reviewed the Supervisor's financial records and reports (e.g., general ledgers, claim vouchers, abstracts (listing of audited claims), payroll reports and budget status reports) and compared them to bank statements and other third-party supporting documents (e.g., Town Clerk and Justice monthly reports, New York State and Cayuga County payments, property tax warrants) to determine whether the accounting records were accurate, complete and timely from January 1, 2020 through December 31, 2022.
- We reviewed the 15 highest cash receipts from the accounting records in 2020 and 2022, and tested all nine cash receipts recorded for 2021, for a total of 39 cash receipts totaling \$6.1 million, to determine whether cash receipts were accurately supported and recorded in the accounting software.
- We used a random number generator to select one claim voucher from each month from 2020 through 2022, for a total of 36 vouchers totaling \$124,391 to trace to the general ledger to confirm the accuracy and completeness of the Town's accounting records.
- We additionally tested 45 claim vouchers, (14 vouchers in each year 2020 and 2021, totaling \$150,119, and 17 vouchers from 2022 totaling \$312,313) to determine whether cash disbursements were appropriately supported and Board approved. We selected three additional vouchers for 2022 to gain a better understanding whether improvements were made with the Town's recordkeeping under the current administration.
- We reviewed bank statements for the Town's operating checking account for the period January 1, 2020 through December 31, 2022 to determine whether monthly reconciliations were accurately and timely performed and reviewed.
- We interviewed the current Supervisor and reviewed OSC records of AUD filings to determine whether the annual financial reports were completed and filed on a timely basis.
- We reviewed all financial reports provided by the former and current Supervisor to the Board to determine whether these reports were prepared and provided to the Board in a timely manner.

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 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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties

osc.state.ny.us

