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September 2024

Scott Wengewicz, Town Supervisor
Members of the Town Board
Town of Shelby
4062 Salt Works Road
Medina, NY 14103

Report Number: 2021M-121-F

Dear Town Supervisor Wengewicz and Members of the Town Board:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage town officials to reduce costs, improve service delivery and to account for and protect their town's assets. In accordance with these objectives, we conducted an audit of the Town of Shelby (Town) to assess the Town Supervisor's (Supervisor) financial responsibilities. As a result of our audit, we issued a report, dated December 2021,¹ identifying certain conditions and opportunities for Town management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Town in May 2024 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Town personnel and inspection of certain documents related to the issues identified in our report. Town officials did not take meaningful actions to implement corrective action. Of the seven audit recommendations, six were not implemented and one was partially implemented.

Recommendation 1 – Resolve Discrepancies in the Town's Accounting Records

The Supervisor should resolve discrepancies in the Town's accounting records.

Status of Corrective Action: Not Implemented

¹ <https://www.osc.ny.gov/local-government/audits/town/2021/12/03/town-shelby-supervisors-financial-responsibilities-2021m-121>

Observations/Findings: The current Supervisor began his term in January 2023 and relies on the bookkeeper to maintain the accounting records. The current bookkeeper was hired in February 2018 and also was the former Supervisor’s bookkeeper. Although the bookkeeper was present during our last audit and was aware of the discrepancies in the accounting records, she did not correct or resolve the discrepancies. In addition, neither the former Supervisor nor current Supervisor resolved the discrepancies in the Town’s accounting records and could not provide a reasonable explanation for not correcting the discrepancies in the Town’s accounting records. During this follow-up review, we performed bank reconciliations and determined there were still unreconciled differences between the adjusted bank balance and recorded cash balance in fiscal years 2021 through 2023, ranging from \$29,993 to \$102,712 (Figure 1). We could not perform any reconciliations for 2024 because the accounting records were incomplete.

Figure 1: Unreconciled Differences			
	2021	2022	2023
Adjusted Bank Cash Balance	\$3,233,773	\$3,593,795	\$3,665,533
Book Cash Balance	3,203,780	3,625,676	3,562,821
Unreconciled Difference	\$29,993	(\$31,881)	\$102,712

The Supervisor and the bookkeeper generally attributed the accounting discrepancies and unreconciled differences to a change in the accounting system. However, we clarified that these issues existed well before the accounting system switch. As the Town’s chief financial officer, the Supervisor is responsible for maintaining complete and accurate accounting records. Without complete and accurate records, the Board and Town officials do not have sufficient information to properly manage and monitor Town financial operations.

Recommendation 2 – Complete Bank Reconciliations

The Supervisor should complete bank reconciliations in a timely manner.

Status of Corrective Action: Not Implemented

Observations/Findings: Neither the Supervisor nor the bookkeeper performed monthly reconciliations between the bank accounts and accounting records. The Supervisor relied on the bookkeeper to complete the reconciliations but did not review the reconciliations to ensure they were completed. The bookkeeper stated she was using the “Check Reconciliation Report” in the new accounting system to complete bank reconciliations. However, the “Check Reconciliation Report” does not provide the information necessary to complete a proper bank reconciliation. As a result, the Town’s bank balances still had not been reconciled and accounting system discrepancies remain unresolved. For more information, the Supervisor and bookkeeper should refer to the Office of the State Comptroller’s (OSC’s) bank reconciliation guidelines.²

A bank reconciliation requires the inclusion of all disbursements including non-check disbursements such as overdraft fees and other withdrawals, and all account credits including

² <https://www.osc.ny.gov/files/local-government/publications/pdf/0403.pdf>

deposits, deposits-in-transit (i.e., deposits that are not made to the bank but are reflected in the accounting records), and any additional credits such as interest earnings. The limited review the bookkeeper was conducting would not identify errors, omissions or irregularities in the bank or accounting records other than those that may be associated with checks.

When we reviewed bank statements, we identified 28 bank overdraft charges applied to two of the Town's bank accounts for \$38 each, collectively totaling \$1,064 from January 1, 2023 through May 31, 2024. For example, we reviewed 16 checks that caused overdraft charges over the three-day period, May 24 through May 26, 2023, and determined that the account was overdrawn because the bookkeeper issued 15 of these checks 12 days before the money needed to cover these checks was transferred and available in the bank account. The bookkeeper issued the remaining check five days prior to transferring the money to cover this check. Had transfers been made prior to or at the time checks were issued, these overdraft fees would not have been incurred.

Incurring overdraft fees is an unnecessary cost and form of wasteful spending that could be easily avoided by requiring the bookkeeper to monitor cash flow and to make transfers prior to issuing checks.

Recommendation 3 – Review Records and Reports, and Monthly Bank Reconciliations

The Supervisor should periodically review records and reports, and monthly bank reconciliations.

Status of Corrective Action: Not Implemented

Observations/Findings: The bookkeeper produced financial reports – including details of cash received and disbursed and revenue and expenditure budget-to-actual reports – and provided them to the Supervisor and Board monthly in 2022. However, there was an unreconciled difference of \$31,881 as of December 31, 2022. In addition, during fiscal year 2023, the bookkeeper produced reports for the Supervisor and Board that included cash receipts and disbursements. However, we determined that 11 of these reports were not signed by the Supervisor to indicate he reviewed the reports and agreed with their contents. In addition, we noted for six reports, the beginning balance did not agree with the ending balance from the previous month as it should. The Supervisor stated that he relied on, and reviewed the reports with, the bookkeeper. However, had the Supervisor completed a proper review, he likely would have identified these discrepancies. Town officials did not retain any documentation to support whether the former Supervisor reviewed these reports.

The Supervisor also did not generate or review any financial reports for fiscal year 2024 and did not ensure bank reconciliations were completed, as discussed in Recommendation #2. Therefore, the Supervisor could not have reviewed 2024 financial reports or bank reconciliations. We were unable to determine why the Supervisors did not perform a proper review of the Town's records.

Recommendation 4 – Monthly Financial Reports to the Board

The Supervisor should provide monthly financial reports to the Board, which include a detail of all money received and disbursed.

Status of Corrective Action: Not Implemented

Observations/Findings: As noted in Recommendation #3, the Supervisor did not provide adequate monthly financial reports to the Board. Furthermore, for 2023, the bookkeeper provided inaccurate cash receipts and disbursements reports to the Supervisor and Board, and the Supervisor and bookkeeper told us that they did not provide any financial reports to the Board for 2024 because they knew the records were incomplete and inaccurate.

Recommendation 5 – Annual Financial Report to OSC

The Supervisor should properly file the Annual Financial Report with OSC as required.

Status of Corrective Action: Not Implemented

Observations/Findings: The AFRs for 2021 and 2022 were each filed 60 days late, and while the AFR for 2023 was filed on time, amounts reported for each of the years were not supported by the accounting records. For example, 2021, 2022 and 2023 year-end bank reconciliations included in the respective AFRs were not accurate because some bank account balances were not accounted for and unsupported adjustments were made to make it appear the accounting records matched the bank records. For example, the December 2022 bank reconciliation included an \$88,341 adjustment to make the bank cash balance agree with the accounting records, but there was no indication what the adjustment was for or which bank account it was related to. In addition, the 2021 bank reconciliation contained adjustments to specific cash accounts and a total cash balance adjustment labeled “petty cash” that resulted in an overall net reduction of \$72,685³ to the bank cash balances so that they agreed with the balances per the accounting records. Officials could not explain what the adjustments were for.

Recommendation 6 – Attend Trainings

The Supervisor should attend, and require the bookkeeper to attend, applicable and beneficial training sessions to enable both to better understand and perform their duties. Training provided by OSC can be found on our website.⁴

Status of Corrective Action: Partially Implemented

Observations/Findings: While the current Supervisor and the bookkeeper attended training, the Supervisor and bookkeeper are not properly performing all of their accounting responsibilities. We encourage the Supervisor and bookkeeper to apply what they learned from the training courses into their daily work, and seek out additional training as needed. We advised the Supervisor and bookkeeper about the training resources, including live and on-demand webinars and publications, available on the OSC website.

Recommendation 7 – Implement CPA Recommendations

The Board should ensure that recommendations and other opportunities for improvement made by the CPA are implemented by Town officials.

³ There were adjustments to individual bank account balances increasing cash by \$182,184 and decreasing cash by \$259,729. There was also an adjustment of \$4,860 to increase the total overall cash balance, resulting in a total net cash balance reduction of \$72,685.

⁴ <https://www.osc.ny.gov/local-government/academy>

Status of Corrective Action: Not Implemented

Observations/Findings: Through discussions with officials, including Board members, and a review of relevant records and reports, we determined that Town officials did not implement recommendations and other opportunities for improvement made by the CPA. For example, the CPA management letter for fiscal year 2021 included the following: “We recommend that the Town adopt a standard policy that ensures that the bank reconciliations be performed and reviewed on a timely basis by designated Town employees. Cash accounts should be reconciled on a routine basis to ensure that all transactions are being accounted for. We also recommended that a preparer and reviewer sign off on the bank reconciliation after they were prepared.” As noted in Recommendation #2, the Supervisor or bookkeeper did not prepare bank reconciliations. In addition, the Board did not adopt a standard policy requiring that bank reconciliations be performed and reviewed on a timely basis by designated Town employees.

The Town Clerk and three Board members told us that these issues were not discussed or addressed in any Board meetings. One Board member told us they suspected that the issues we identified existed. Two other Board members told us they were aware of some issues – specifically that they had not received 2024 monthly financial reports and that there were discrepancies with previous reports received. They also were generally surprised by other issues identified, including the bank overdraft fees and irreconcilable differences. We attempted to contact the remaining Board member, but they did not return our call or reply to our email.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We strongly encourage Town officials to take appropriate actions to fully implement our recommendations.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Melissa Myers, Chief of Municipal Audits of our Buffalo Regional Office, at (716) 847-3647.

Sincerely,

Robin L. Lois
Deputy Comptroller