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December 2025

James Rice, Mayor
Members of the Common Council
City of Fulton
141 S. 1st Street
Fulton, NY 13069

Report Number: 2021M-184-F

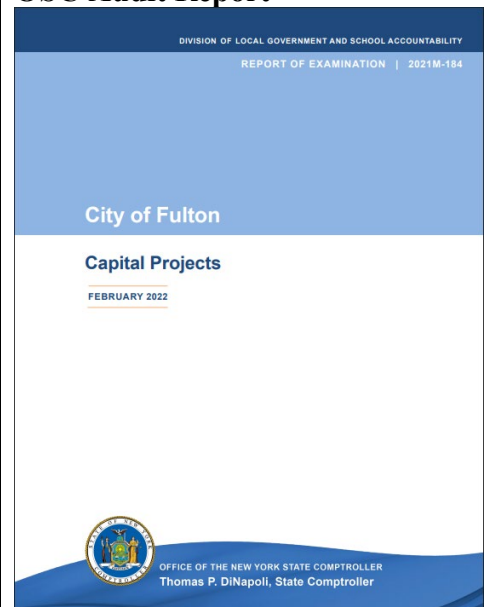
Dear Mayor Rice and Members of the Common Council (Council):

One of the Office of the State Comptroller's (OSC'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. OSC also works to develop and promote short-term and long-term strategies to enable and encourage city officials to reduce costs, improve service delivery and to account for and protect their city's assets.

In accordance with these objectives, we conducted an audit of the City of Fulton (City) to determine whether City officials properly managed capital projects. As a result of our audit, we issued a report, dated February 11, 2022, identifying conditions and opportunities for City management's review and consideration (Figure 1). In response to the audit, officials filed a corrective action plan (CAP) with OSC on April 28, 2022. The CAP identified the actions officials took or planned to take to implement the audit recommendations.¹

To further our policy of providing assistance to local governments, we revisited the City in June 2025 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with City personnel and inspection of certain documents related to the issues identified in our report.

**Figure 1: City of Fulton 2022
OSC Audit Report**



<https://www.osc.ny.gov/files/local-government/audits/2022/pdf/fulton-2021-184.pdf>

¹ See Appendix A for the City's CAP to the OSC audit report.

Based on our limited procedures, the City has made minimal progress implementing corrective action. Of the 12 audit recommendations, one recommendation was fully implemented, two recommendations were partially implemented and eight recommendations were not implemented. We could not determine the implementation status for the remaining recommendation because certain capital projects records were unavailable or inadequate.

While the Mayor, Clerk/Chamberlain (Chamberlain) and most of the Council were newly elected or appointed after the release of our audit report and filing of the City's CAP, the lack of substantial progress in implementing our audit recommendations currently hinders officials' ability to appropriately account for and manage the City's capital projects.

Recommendation 1 – Approve Project Budgets

The Council should approve capital projects budgets that include both revenues and appropriations.

Status of Corrective Action: Not Implemented

City's CAP: The City will create, present and approve a budget for each capital project to the Council.

Observations/Findings: Of the 17 capital projects that were active between January 2024 and April 2025, we reviewed five to determine whether the Council had approved a budget for each that included both revenues and appropriations.

City officials did not develop formal budgets for these five projects. Therefore, budgets were not submitted to the Council for approval. The City purchased software in April 2022 to assist with the budget development and record keeping for capital projects. However, the Chamberlain, who was appointed in July 2022, said staffing shortages in her department and the need to prioritize day-to-day transactions and responsibilities did not afford her the time needed to understand or use the City's new software to develop and submit capital project budgets to the Council. The lack of approved project budgets hindered the Council's ability to effectively monitor the status of the projects.

Recommendation 2 – Monitor Projects and Require Periodic Reports

The Council should monitor each project by requiring the Chamberlain to submit periodic reports that show actual revenues and expenditures over the life of the project compared to the approved budget.

Status of Corrective Action: Not Implemented

City's CAP: The Chamberlain will provide regular reporting and monitoring status updates to the Council, Mayor and department heads. The reporting will include revenues, expenditures, funding source and fund balance.

Observations/Findings: The Council did not require, and the Chamberlain did not submit, periodic reports that showed actual revenues and expenditures over the life of each capital project compared to the project's approved budget. Without approved project budgets, the Chamberlain could not

enter project budgets into the accounting system and status reports were not generated. As a result, officials were unable to determine and monitor the financial status of individual projects.

Recommendation 3 – Approve Closing Completed Projects

The Council should approve closure of completed projects.

Status of Corrective Action: Partially Implemented

City's CAP: When it is determined that the project is complete the closure of the project will be promptly submitted to the Council for closure and any funds remaining distributed appropriately.

Observations/Findings: As identified in our audit report, the City had 279 completed projects that should have been submitted to the Council for approval to close. During our follow-up review, we identified 29 additional capital projects that were completed through June 2025, which also should have been submitted to the Council for approval to close. Out of the combined total of 308 completed capital projects, 93 projects were submitted to the Council and received approval to close, leaving 215 projects (70 percent), which the Council did not approve to close.

The Chamberlain was unaware that 29 capital projects were completed since our audit and that they should have been submitted to the Council for approval to close. Furthermore, the Chamberlain believed that the previous Chamberlain had submitted all 279 completed capital projects, as identified in our audit report, to the Council for approval to close prior to his retirement in June 2022. When completed projects are not closed out, surplus funds remain idle and any projects with deficits are not addressed.

Recommendation 4 – Maintain Separate Accounting Records for Each Capital Project

The Chamberlain should maintain separate accounting records for each individual capital project, including general ledger accounts and subsidiary revenue and expenditure accounts. Subsidiary ledgers for each individual project should include budgeted revenues and appropriations and actual revenues and expenditures.

Status of Corrective Action: Not Implemented

City's CAP: The City will implement a financial software system that will better allow the tracking of capital project accounts, including general ledger accounts and subsidiary revenue and expenditure accounts. Ledgers will show budgeted and actual revenues and expenditures.

Observations/Findings: We reviewed the records maintained in the accounting system for the City's 17 active capital projects. The Chamberlain recorded total expenditures in one account code per project in the accounting system. This may be adequate for certain types of capital projects, such as equipment purchases, but more detailed records should be maintained for complex projects with multiple expenditure categories (e.g., engineering, legal, general construction). Furthermore, the accounting records maintained for each project were also not adequate because they did not include:

- Separate asset, liability, fund balance and subsidiary revenue accounts for each individual capital project. Instead, these accounts reflected the financial activity of all capital projects

combined and could not be used to determine the financial position of any individual capital project.

- Budgeted revenues and appropriations for each individual capital project.

The Chamberlain also recorded capital projects activity within spreadsheets that were maintained outside of the City's accounting system. However, the Chamberlain only had spreadsheets available for seven of the City's 17 active capital projects. Furthermore, these spreadsheets were generally a list of each project's expenditures and did not adequately capture each project's budget estimates, actual revenues, cash balance or fund balance.

The Chamberlain stated she largely recorded capital projects activity in both the accounting system and outside spreadsheets in a similar manner as the previous Chamberlain. As a result, the City's capital projects records continue to be inadequate and officials remain unable to readily determine the complete financial history and position of individual projects.

Recommendation 5 – Ensure the Systems Used to Maintain Capital Project Records Agree

The Chamberlain should, if using multiple systems to maintain capital projects records, ensure they agree, are accurate and up to date.

Status of Corrective Action: Not Implemented

City's CAP: The City will create checks and balances across all platforms to ensure that all categories are recognized. Any discrepancies will be addressed in a timely manner and corrected immediately.

Observations/Findings: As noted in Recommendation 4, the Chamberlain maintains capital projects records in the accounting system, and also records expenditures for some projects in spreadsheets. However, the Chamberlain's capital projects records did not agree and were not accurate or up to date. For example, we compared 10 expenditures totaling \$118,822 that were recorded in the accounting system for five of the City's active capital projects, to expenditures recorded in each project's spreadsheet. Of the 10 expenditures recorded in the accounting system, two expenditures (20 percent), were not recorded in the related project's spreadsheet. Although these two expenditures totaling \$2,055 were recorded in the accounting system on December 31, 2024, they still had not been recorded in the related project's spreadsheet as of June 30, 2025 – six months later.

The Chamberlain stated she did not compare the capital projects activity recorded in the accounting system to the activity recorded in the spreadsheets to ensure they both agreed, were accurate and up to date. Without this comparison, discrepancies between the Chamberlain's capital projects records went unidentified and unresolved. In addition, neither record showed the true financial position for each individual capital project, which makes it difficult for officials to adequately monitor the projects.

Recommendation 6 – Investigate Differences Between the Project Records

The Chamberlain should investigate the differences between the accounting system and the capital projects spreadsheet and ensure all capital projects activity and balances in the system are attributed to a specific capital project in the spreadsheet.

Status of Corrective Action: Not Implemented

City's CAP: The Chamberlain will investigate the differences between the accounting system and the current capital projects spreadsheet and locate the differences if practical and adjust accordingly.

Observations/Findings: The audit recommendation referenced the capital project spreadsheet maintained by the former Chamberlain. This spreadsheet has not been used or updated since the former Chamberlain's retirement in June 2022. Furthermore, neither the Chamberlain nor the two Councilors we interviewed could describe any actions taken by the former Chamberlain to investigate the differences between the accounting system and his capital projects spreadsheet, or provide the results of any investigation performed. Consequently, any errors that may have caused discrepancies between the two records were not identified and corrected.

In addition, while the Chamberlain has created new spreadsheets to track expenditures for some capital projects, these records did not reflect all the financial activity for each project, they were not kept up to date and she did not compare the activity recorded in the accounting system to the activity recorded in the spreadsheets to ensure the records agree. As a result, the new spreadsheets are not useful for monitoring the financial position of the individual projects.

Recommendation 7 – Record Project Budgets in the Accounting System

The Chamberlain should ensure detail project budgets are recorded in the accounting system accurately and timely.

Status of Corrective Action: Not Implemented

City's CAP: The Chamberlain will develop and implement a policy and procedure to ensure that capital project budgets are entered and recorded into all applicable systems accurately and timely.

Observations/Findings: The Chamberlain could not record detailed project budgets in the accounting system, because as noted in Recommendation 1, the Council did not approve capital project budgets. As a result, budget status reports were not produced, and officials were not properly informed of capital project financial activities.

Recommendation 8 – Record Expenditures in the Appropriate Capital Project

The Chamberlain should ensure all project expenditures are recorded in the appropriate capital project.

Status of Corrective Action: Fully Implemented

City's CAP: The Chamberlain will develop and implement a policy and procedure to ensure that expenditures are entered and recorded into all applicable systems accurately and timely.

Observations/Findings: We reviewed abstracts (listing of audited claims) and supporting invoices to identify and select 10 capital project related expenditures totaling \$208,085 that were paid between January 2024 and April 2025. We traced these expenditures to entries in the accounting system to determine whether they were recorded in the subsidiary expenditure account associated with the appropriate capital project. We also reviewed ledger activity during this period and selected two expenditures totaling \$1,632. We traced these expenditures from the accounting system to supporting invoices to determine whether the expenditures were recorded to the appropriate capital project. All 12 capital project expenditures totaling \$209,717 that we reviewed were recorded to the appropriate capital projects' expenditure account within the accounting system.

Recommendation 9 – Use of Surplus Funds

City officials should discontinue the practice of using surplus funds from one capital project to cover shortfalls in another.

Status of Corrective Action: Not Determinable

City's CAP: The City will implement a system and a policy that prohibits the transfer of surplus or any other monies from one capital project to be used by or for another capital project.

Observations/Findings: Because the Chamberlain did not maintain adequate capital project records that included separate asset, liability and fund balance accounts for each individual project (see Recommendation 4), we could not determine whether any projects had surplus funds, or whether these funds were used to cover shortfalls in any other projects. In addition, because officials have not implemented procedures to close out projects in the accounting system when the projects were complete (see Recommendation 11), there is greater risk that residual funds remaining at the end of a project could be used for other projects.

Recommendation 10 – Use of Bond Proceeds

City officials should ensure bond proceeds are only used for the purpose for which the bonds were issued or to pay the related debt service and consult with the City attorney and/or bond counsel as it relates to addressing the use of bond proceeds for two different sewer capital projects.

Status of Corrective Action: Not Implemented

City's CAP: The City will ensure that bond proceeds are only used for the purpose they were issued and or any debt service related to the issue. The City will reach out to its bond counsel for advisement.

Observations/Findings: Since our audit, the City issued debt totaling \$2.7 million to finance two capital projects. However, because separate asset (including cash) and revenue accounts were not maintained for individual capital projects, City officials could not ensure that the proceeds from the issuance of bonds were used to finance the intended capital projects, or to pay the related debt service, as required by Local Finance Law Section 165.00. Additionally, the Chamberlain and two

Councilors stated they did not know whether the former Chamberlain consulted with the City attorney and/or bond counsel about using bond proceeds for the two sewer capital projects identified during our audit and could not provide evidence of any consultation.

Recommendation 11 – Close Completed Projects and Develop Closing Procedures

City officials should close out completed projects and develop procedures to ensure future completed projects are closed in a timely manner and any cash or deficit remaining is accounted for properly.

- The related operating fund should provide funds to close out projects with deficits.
- Unexpended funds originating from bonds associated with a completed project should be transferred to the debt service fund and used for related debt service payments.
- Other surplus funds from completed projects should be transferred to the related operating funds if there were no other restrictions on the financing sources.

Status of Corrective Action: Partially Implemented

City's CAP: The Common Council began the close out of existing capital projects in April 2022 with a goal to close out all identified projects by June 2022. Going forward the City will outline a policy and procedure for the proper and timely close out of future capital projects.

Observations/Findings: Our audit report detailed the actions necessary to close out identified completed projects within the accounting system, including transferring:

- \$584,159 from the capital projects fund to the debt service fund for payments on the outstanding debt related to 53 completed projects that ended with surplus cash balances.
- \$227,821 from the capital projects fund to the operating funds related to 22 completed projects that ended with surplus cash balances but had no outstanding debt.
- \$95,177 from the operating funds related to 21 completed projects that ended with cash deficits, to the capital projects fund to cover these deficits.

We reviewed the general ledger and supporting documents to determine whether transfers were made. The former Chamberlain made journal entries to close out 52 of the 53 completed projects with outstanding debt and surplus balances. We also identified related cash transfers totaling \$527,588 from the capital projects fund to the debt service fund. However, we did not find any indication that the other completed projects were closed out within the accounting system.

In addition, the Chamberlain stated that procedures were not developed for closing out projects in the accounting system. Without these procedures, officials continue to lack needed guidance to help ensure projects are closed in an accurate and timely manner and the Council may not be aware of the final cost of completed projects or of cost overruns that require budgetary amendments or other actions. In addition, by not closing out completed projects and distributing the residual balances in a timely manner, officials allowed these funds to remain idle in the capital projects fund when they could have been used to help fund the City's budgets.

Recommendation 12 – Research the Projects with Combined Fund Balances

City officials should research the projects with combined fund balances to determine the amounts that must be restricted for debt service or consider transferring the full \$155,731 to the debt service fund to pay debt.

Status of Corrective Action: Not Implemented

City's CAP: The City has determined that it will transfer the full \$155,731 to the debt service fund.

Observations/Findings: Based on our review of the records, there were no entries in the accounting system to transfer \$155,731 to the debt service fund to pay debt or to otherwise close out the projects with combined fund balances. In addition, the Chamberlain and two Councilors we interviewed were not aware of any actions taken by the former Chamberlain to research the projects or transfer funds to the debt service fund as indicated in the City's CAP. If the accounting records are accurate, officials allowed these funds to remain in the capital projects fund when they could have been used to help repay related debt.

During our review, we discussed the basis for our recommendations, and the operational considerations relating to these issues, with City officials. We encourage City officials to continue their efforts to fully implement our recommended improvements. For additional guidance, City officials should refer to OSC's *Local Government Management Guide* publications available on our website, including *Capital Projects Fund* (Figure 2).

Thank you for the courtesy and cooperation extended to our auditors during this review. If you have any further questions, please contact Rebecca Wilcox, Chief of Municipal Audits of our Syracuse Regional Office at (315) 428-4192.

Figure 2: OSC Local Government Management Guide

Capital Projects Fund



Sincerely,

Robin L. Lois, CPA
Deputy Comptroller

Appendix A – The City’s CAP to the OSC Audit Report



City of Fulton 141 South 1st. St. Fulton, NY 13069 | 315-592-7330

Office of the Mayor

Website: www.fultonny.org

City of Fulton

4/28/2022

Capital Projects

Audit # 2021M-184

Corrective Action Plan

This is the City of Fulton Corrective Action Plan for the report of examination 2021M-184 Capital Projects for the period covered January 1, 2020 through March 31, 2021.

Audit Recommendations #'s 1 through 3 the Common Council should:

1. Approve capital projects budgets that include both revenues and appropriations.
2. Monitor each project by requiring the Chamberlain to submit periodic reports that show actual revenues and expenditures over the life of the project compared to the approved budget.
3. Approve the closure of completed projects.

Action Plan for Recommendations 1 through 3 above:

City of Fulton will create, present and approve a budget for each capital project to the common council and the Clerk/Chamberlain will provide regular reporting and monitoring status updates to the Council, Mayor and Department Heads. The reporting will include revenue, expenditures, funding source and fund balance. When it is determined that the project is complete the closure of the project will be promptly submitted to the Council for closure and any funds remaining distributed appropriately.

This will be put in place and implemented immediately.

Audit Recommendation #4 the Chamberlain should:

4. Maintain separate accounting records for each individual capital project, including general ledger accounts and subsidiary revenue and expenditure accounts. Subsidiary ledgers for each individual project should include budgeted revenues and appropriations and actual revenues and expenditures.

Action Plan for Recommendation #4:

The City of Fulton will implement a financial software system that will better allow tracking of capital project accounts, including general ledger accounts and subsidiary revenue and expenditure accounts. Ledgers will show budgeted approved revenues and appropriations along with actual revenues and expenditures. Capital project accounts will designate the funding source or sources for multiple years over the life of the project. We are currently implementing a new software module to help the city achieve these goals. This process has started as of April 1, 2022 and will continue until all of our goals are satisfied.

Audit Recommendation #5 the Chamberlain should:

5. If using multiple systems to maintain capital projects records, ensure they agree, are accurate and up to date.

Action Plan for Recommendation #5:

The city of Fulton utilizes several reporting systems that report out on capital improvement projects. Recognizing that there are multiple systems being used we will be creating checks and balances across all platforms to ensure that all categories are recognized including accounts receivable and accounts payable. Any discrepancies that may arise from the internal reviews will be addressed in a timely manner and corrected immediately. This process has begun.

Audit Recommendation #6 the Chamberlain should:

6. The Chamberlain should investigate the differences between the accounting system and the capital projects spreadsheet and ensure all capital projects activity and balances in the system are attributed to a specific capital project in the spreadsheet.

Action Plan for Recommendation #6:

The Chamberlain will investigate the differences between the accounting system and the current capital projects spreadsheet and locate the differences if practical and adjust accordingly. This process was begun during the audit and will be finalized and any adjusting entries made by 6/30/2022.

Audit Recommendation #7 and #8 the Chamberlain should:

7. Ensure detail project budgets are recorded in the accounting system accurately and timely.
8. Ensure all project expenditures are recorded in the appropriate capital project.

Action Plan for Recommendation #7 and #8:

The Chamberlain will develop and implement a policy and procedure to assure that any and all capital project budgets, revenues and expenditures are entered and recorded into all applicable systems accurately and timely. In addition each project will be brought to the Council floor by resolution and will include project details, funding source or sources a dollar amount and the expenditure account for which it will be managed through. Any changes to a project such as change orders will be brought to the Council floor by resolution for approval by the council. (Change orders or significant changes in the original scope of the project). This will be implemented immediately.

Audit Recommendation #9:

9. Discontinue the practice of using surplus funds from one capital project to cover shortfalls in another.

Action Plan for Recommendation #9:

Per municipal finance law the City of Fulton recognizes that surplus funds should not be transferred to other projects. Therefore we will implement a system and a city policy that prohibits the transfer of surplus or any other monies from one capital project to be used by or for another capital project. Any surplus will be transferred to the debt service fund or appropriate operating fund upon close out of the project. This will be implemented immediately.

Audit Recommendation #10:

10. Ensure bond proceeds are only used for the purpose for which the bonds were issued or to pay the related debt service and consult with the City attorney and/or bond counsel as it relates to addressing the use of bond proceeds for two different sewer capital projects.

Action Plan for Recommendation #10:

The City will ensure that bond proceeds are only used for the purpose they were issued and or any debt service related to the issue. The city will reach out to its bond counsel for advisement as it relates to what has been identified in this audit. This will take place immediately.

Audit Recommendation #11:

11. Close out completed projects and develop procedures to ensure future completed projects are closed in a timely manner and any cash or deficit remaining is accounted for properly.
 - o The related operating fund should provide funds to close out projects with deficits.
 - o Unexpended funds originating from bonds associated with a completed project should be transferred to the debt service fund and used for related debt service payments.
 - o Other surplus funds from completed projects should be transferred to the related operating funds if there were no other restrictions on the financing sources.

Action Plan for Recommendation #11:

Beginning in April 2022 at the meeting of the Common Council the close out of existing capital projects will begin. The goal is to have all identified projects closed out by resolution by no later than June 2022. Any surplus identified will be transferred to operating deficit or debt service. Going forward the city will outline policy and procedure for the proper and timely close out of future capital projects.

Audit Recommendation #12:

12. Research the projects with combined fund balances to determine the amounts that must be restricted for debt service or consider transferring the full \$155,731 to the debt service fund to pay debt.

Action Plan for Recommendation #12:

The City has determined that it will transfer the full amount of \$155,731 to the debt service fund.


Additional Comments:


During the 2022 budget process all Department Heads and the Common Council will be made aware of all new policies and procedures surrounding capital improvement projects. Training will be provided to any staff or elected official requesting such. OSC and NYCOM are two training resources identified.

City of Fulton will also introduce a multi-year capital plan using the new [REDACTED] software that is being introduced and for which the on boarding process has begun as of April 2022. The multi-year plan will outline projects, budgets and funding sources.

The City of Fulton and the Chamberlain would like to express their thanks to the Office of the State Comptroller and all involved in this audit.

If there any further comments or questions please feel free to contact my office.

 Sincerely,

 Deana M. Michaels
Mayor of the City of Fulton