New York State Comptroller
THOMAS P. DiNAPOLI

City of Olean

Financial Management

September 2026 | 2026M-40

Prepared by the Division of Local Government and School Accountability

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Audit Results

City of Olean

Audit Objective

Did City of Olean (City) officials properly manage the City's fund balance, and did the City Auditor (Auditor) properly record and report financial activity?

Audit Period

June 1, 2020 – February 6, 2026

Understanding the Audit Area

A city council, in conjunction with city officials, is responsible for maintaining a city's fiscal health by effectively managing fund balance and ensuring financial activity is accurately recorded and reported. Fund balance represents the difference between accumulated revenues and expenditures over time and is an important indicator of a city's financial condition. Maintaining reasonable levels of unrestricted fund balance helps provide financial stability, address unforeseen expenditures or revenue shortfalls, maintain essential services, support favorable credit ratings and reduce the needs for sudden increases in taxes or user fees.

City officials are also responsible for maintaining complete, accurate and current accounting records and financial reports. Reliable financial information enables officials to monitor a city's financial condition, make informed fiscal and operational decisions, ensure compliance with applicable laws and regulations and promote transparency and accountability to taxpayers and maintain public trust.

The City's fiscal year runs from June 1 to May 31. At the end of the 2024-25 fiscal year, the City reported a combined total of approximately $6.7 million in unrestricted fund balance in its general, water and sewer funds. Combined budgeted appropriations for these funds totaled approximately $29.3 million.

Audit Summary

City officials[1] did not properly manage the City's fund balance or ensure that financial activity was accurately recorded and reported. As a result, City officials did not always consistently maintain unrestricted fund balance in accordance with the City's fund balance policy (Policy), and the City's accounting records and financial reports were inaccurate. As a result, officials did not have reliable financial information to effectively monitor the City's financial condition and make informed financial decisions.

City officials did not always maintain unrestricted fund balance levels in accordance with the Policy's established fund balance levels, in part, because the City Council (Council) could not agree on what corrective actions to take. Also, the Policy did not establish procedures for restoring fund balance when levels declined. In addition, the City's budgeting practices caused fund balance levels to fluctuate and fall below Policy thresholds.

The City's inaccurate accounting records and financial reports made it difficult for officials to manage fund balance. The Auditor used improper accounting practices, including netting revenues and expenditures and recording transactions in incorrect accounts, which resulted in significant misstatements in the City's accounting records and financial reports. As a result, City officials did not have reliable financial information with which to monitor the city's financial condition and fund balance.

From the 2020-21 through 2024-25 fiscal years, the general fund's unrestricted fund balance decreased by approximately $454,000 (16 percent) and fell below Policy thresholds in the 2021-22 through 2024-25 fiscal years. The water fund's unrestricted fund balance also fluctuated consistently and remained below Policy

1 Unless otherwise indicated, this report uses "City officials" to collectively refer to the Mayor, Council and Auditor.

thresholds during the 2021-22 through 2023-24 fiscal years. If not corrected, the City's fund balance levels could be depleted.

City officials also did not develop comprehensive multiyear financial and capital plans to assess the long-term effects of budgeting practices, capital needs and fund balance levels. Without these plans, officials did not have important tools for maintaining reasonable fund balance levels and planning for current and future financial needs.

Lastly, the Auditor did not ensure that required financial reports were accurate or filed in a timely manner. The Auditor filed the City's Annual Financial Reports (AFRs) for the 2020-21 through 2022-23 fiscal years between 27 and 187 days late. Although the Auditor filed the 2023-24 and 2024-25 AFRs on time, he knowingly submitted them with inaccuracies. These deficiencies diminished transparency and accountability and increased the risk that officials would make improper financial decisions that were based on inaccurate financial information and were not in the best interests of taxpayers.

The report includes 10 recommendations that, if implemented, will strengthen the City's management of fund balance, improve the accuracy and reliability of accounting records and financial reporting, enhance long-term financial planning and promote informed decision making, transparency and accountability. City officials agreed with our recommendations and their response is included in Appendix B.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's methodology and standards are included in Appendix C.

The Council 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 OSC within 90 days, pursuant to GML Section 35. For more information on preparing and filing the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Council is encouraged to make the CAP available for public review in the City Clerk's office.

Financial Management: Findings and Recommendations

A city council (in conjunction with city officials) is responsible for managing the city's fiscal health and overall financial condition, which includes maintaining a reasonable level of fund balance. The city council also should adopt written policies and written multiyear financial and capital plans to help it assess long-term needs and financial management strategies. To maintain an adequate amount of fund balance, the city council must develop and adopt realistic and structurally balanced budgets that provide sufficient recurring revenues to finance recurring expenditures. The city council may establish reserves to restrict a reasonable portion of fund balance for specific purposes, in compliance with statutory directives.

City officials must maintain complete, accurate and current accounting records and reports. These records are essential to city officials for monitoring the city's financial health, making sound fiscal decisions, ensuring that the city complies with various laws and for maintaining the public's trust.

More details on the criteria used in this report, as well as resources OSC makes available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – City officials did not properly manage fund balance.

The City's Policy requires officials to maintain unrestricted fund balance levels in the City's three main operating funds (general, water, and sewer funds) that are each equal to 15 percent of each fund's ensuing year's operating budget. However, from the 2020-21 through 2024-25 fiscal years, unrestricted fund balance in the general and water funds fluctuated and ultimately declined below Policy thresholds. Without proper management and monitoring to ensure compliance with the Policy, fund balance levels could be depleted to levels that are insufficient to cover unexpected contingencies and routine cash flow needs.

The general fund's unrestricted fund balance decreased by approximately $454,000 (16 percent) at the end of the 2020-21 through 2024-25 fiscal years and was below Policy thresholds at the end of the 2021-22 through 2024-25 fiscal years. During this same five-year period, the water fund's unrestricted fund balance levels fluctuated significantly, decreasing by approximately $310,000 (45 percent) from the 2020-21 through 2023-24 fiscal years and increasing by approximately $560,000 from the 2023-2024 through 2024-2025 fiscal years (Figure 1). As a result, the water fund's unrestricted fund balance fell below Policy thresholds in the 2021-22 through 2023-24 fiscal years. The sewer fund's unrestricted fund balance exceeded the 15 percent Policy threshold each year of the audit period.

Figure 1: Total Unrestricted Fund Balance (FB) at End of Fisal Year

	2020-21	2021-22	2022-23	2023-24	2024-25
General Fund					
FB at End of Fiscal Year[2]	$2,908,000	$2,604,000	$2,038,000	$1,777,000	$2,454,000
FB Over/Under Required Amount in Policy	$294,000	-$145,000	-$897,000	-$1,297,000	-$529,000
FB as a Percentage of Next Year's Appropriations	17%	14%	10%	9%	12%
Water Fund					
FB at End of Fiscal Year	$695,000	$527,000	$427,000	$385,000	$945,000
FB Over/Under Required Amount in Policy	$117,000	-$67,000	-$176,000	-$256,000	$273,000
FB as a Percentage of Next Year's Appropriations	18%	13%	11%	9%	21%

2 A prior period adjustment was made to decrease total fund balance in the 2022-23 fiscal year due to reporting errors of $193,000. To determine compliance with the City's Policy, we applied the adjustment to the City's reported fund balance in the 2021-22 fiscal year.

Unrestricted fund balance levels were not maintained in accordance with the Policy, in part, because the former[3] Council President, former[4] City Mayor (Mayor) and Auditor told us that the Council could not agree on what actions to take to ensure that fund balance levels complied with the Policy. Also, the Policy did not include procedures for City officials to follow to restore unrestricted fund balance when levels declined. Additionally, the Council did not adopt realistic, structurally balanced budgets, or comprehensive written multiyear financial and capital plans, to assist officials with budgeting and maintaining required fund balance levels.

While City officials were aware of the Policy's requirements, their improper budgeting and financial management practices were causing unrestricted fund balance levels to fluctuate and decline below Policy thresholds. Although adopted budgets appeared structurally balanced, officials did not include sufficient appropriations in the annual budgets for certain recurring operating expenditures. For example, from June 1, 2020 through May 31, 2025, the Auditor transferred approximately $660,000 from the general, water and sewer fund's unrestricted fund balances to the capital projects fund for routine maintenance expenditures, which included approximately $328,000 for annual street, sidewalk and parking lot maintenance; approximately $204,000 for annual tree pruning and removal; and approximately $128,000 for communication equipment, which included radios.

The former Council President told us that the Council preferred to make unbudgeted transfers to the capital projects fund as needed, rather than include the transfers in the annual general, water and sewer fund operating budgets, so that each expenditure would require explicit Council approval and would give the Council more control of expenditures during the fiscal year. However, because the Council did not properly budget and account for annual recurring operating expenditures, it created unrealistic budget estimates and understated the City's operating expenditures. These improper budgeting practices not only hid the City's true operating costs, but also generally made it difficult for the Council to make and evaluate year-to-year comparisons and budgetary projections.

City officials did not develop and adopt a multiyear capital plan. Despite not having this multiyear plan to help guide their capital project and purchase activity, City officials made unbudgeted transfers to the capital projects fund, to accumulate funds for future capital improvements and capital asset purchases, instead of properly establishing and funding needed capital reserves. For example, from June 1, 2020 through May 31, 2025, the Auditor made unbudgeted transfers, which were approved by the Council, totaling approximately $1.7 million from the general, water, and sewer operating funds to the capital projects fund to accumulate funds for various one-time expenditures, capital improvements and asset acquisitions. These transfers included $973,000 to accumulate funds for vehicle replacements and approximately $752,000 to accumulate funds for repairs and improvements to City buildings. Although the City is authorized to establish and restrict fund balance in capital reserves for these purposes, the Council did not properly establish and fund reserves in a transparent manner or in compliance with applicable laws. Additionally, City officials should have included provisions for these capital expenditures in the annual operating budgets to develop a more realistic budget and provide transparency to the taxpayers regarding the Council's intentions to establish and fund reserves.

From June 1, 2020 through May 31, 2025, the Auditor made unbudgeted transfers totaling approximately $6.6 million (which were approved by the Council) from unrestricted fund balance in the general, water, and sewer operating funds to the capital projects fund. Because of the poor condition of the City's accounting records,[5] we could not use the Auditor's financial reports to accurately determine whether the amount transferred to the capital projects fund was for recurring operating fund's expenditures (e.g., vehicle and equipment replacements and building repairs) or accumulating funds for current and/or future capital improvement purposes.

The Council did not develop or adopt comprehensive, written, multiyear financial and capital plans, which are useful tools for officials when evaluating actions needed to maintain a reasonable level of fund balance and finance current and long-term needs. The former Council President and former Mayor told us that they did not develop, adopt or use multiyear financial and capital planning when preparing annual budgets because they prioritized satisfying the City's immediate needs over planning for future financial and capital needs. However,

3 The former Council President served from January 2, 2018 through December 31, 2019 and January 4, 2021 – August 12, 2025 when he stepped down from the position.
4 The former Mayor served from January 2, 2014 through December 31, 2025.
5 Refer to Finding 2 for further information.

a multiyear financial plan and capital plan would have helped officials develop more structurally balanced budgets, assess alternative approaches to financing necessary capital expenditures and assist officials with properly addressing both current and long-term operational and capital needs.

Recommendations

The Council should:

1. Monitor fund balance levels on a monthly basis to ensure compliance with the Policy and revise the Policy to establish specific actions that City officials should take when fund balance falls below established thresholds.
2. Adopt realistic and structurally balanced budgets that:
   - Include reasonable appropriations for recurring operating expenditures.
   - Record expenditures in the appropriate operating fund.
   - Discontinue transferring unrestricted fund balance to the capital projects fund to finance recurring operating fund expenditures that are not included in the annual budgets.
3. Develop, adopt and periodically update comprehensive multiyear financial and capital plans and use them to prepare annual budgets, evaluate long-term operating and capital needs and maintain reasonable fund balance levels.
4. Properly authorize reserve funds in accordance with applicable laws and transparently fund them through the annual budget.

Finding 2 – The Auditor did not properly record and report financial activity.

The Auditor used improper accounting practices that resulted in inaccurate and unreliable accounting records and financial reports. The Auditor incorrectly subtracted revenues from expenditures (netted) and recorded the netted transactions also in incorrect accounts. These practices and errors caused material misstatements in the accounting records and made monthly and annual financial reports (which were provided to the Council) inaccurate and unreliable. These improper accounting practices limited City officials' ability to properly monitor the City's fund balance, make informed financial decisions and develop realistic budgets, because they did not have a true and correct understanding of actual revenues and expenditures.

The Auditor maintained multiple expenditure accounts with offsetting revenues, and multiple revenue accounts with offsetting expenditures, which resulted in improperly subtracting expenditures from revenues. It also diminished transparency regarding the City's fund balance and financial activity. For example:

- The Auditor reported ambulance billing revenues of approximately $1 million for the 2024-25 fiscal year, while the third-party billing vendor that was responsible for billing reported collected revenues of approximately $1.2 million to the City for the same time period. The revenue was understated in the City's accounting records because the Auditor improperly recorded ambulance billing expenditures totaling approximately $200,000 in the respective general fund revenue account. As a result, the improperly recorded expenditures reduced the total balance in the revenue account and the resulting amount reported as total ambulance billing revenues was inaccurately lower than what was reported as received. Additionally, because the expenditures were not recorded in the correct general fund expenditure account, the expenditures were also understated in the general fund by approximately $200,000.
- The Auditor recorded and reported solar energy revenues of approximately $932,000 for the 2024-25 fiscal year in an expenditure account instead of a revenue account. This included approximately $438,000 in the general fund, approximately $261,000 in the water fund and approximately $233,000 in the sewer fund. As a result, revenues and expenditures were understated in all three funds.

The Auditor told us that he relied on the City's external auditors to correct and update the accounting records that he maintained when the external auditors annually prepared the City's audited financial statements. However, it is the Auditor's responsibility to maintain up-to-date, complete and accurate accounting records. Waiting for the external auditors to correct the accounting records prevented City officials from having timely, accurate, year-end operating results and current fiscal year financial information. Consequently, officials could not make informed financial decisions when developing annual budgets and managing fund balance levels.

The City's external auditors had to make significant year-end adjustments to correct the Auditor's material misstatements and errors. In the 2024-25 audited financial statements, the external auditors commented that, without their assistance, the City's financial statements "risked not conforming with generally accepted accounting principles (GAAP).[6]" The external auditors also stated that certain revenues and expenditures were not recorded in accordance with GAAP and, throughout the fiscal year, all cash balances were not accurately recorded in the City's general ledger or reported in monthly reports, which the Auditor created and provided to the Council.

In addition, while the Auditor filed the City's AFRs with the Office of the State Comptroller (OSC), he did not always file them when required. Furthermore, the Auditor knowingly submitted AFRs with erroneous and incorrect data that essentially rendered the AFRs unreliable and unusable (Figure 2). Without complete, accurate and reliable financial information, the Council cannot effectively monitor the City's financial position and available fund balance or make informed decisions. As a result, the City's true fiscal condition was unclear, and City residents and taxpayers, OSC and other interested parties did not have access to timely, accurate and reliable information related to the City's current fiscal activities.

Figure 2: 2024 AFR Comparison Initially Filed by the Auditor in July 2024 and Updated May 2025

Operating Fund	Account Description	Original AFR	Adjusted AFR	Difference
General	Total Cash	$5,553,458	$5,536,145	$17,313
General	Total Fund Balance	$854,389	$1,935,402	-$1,081,013
General	Total Revenues	$18,431,732	$18,243,237	$188,495
General	Total Expenditures & Other Uses	$19,621,507	$19,109,643	$511,864
Water	Total Cash	$404,399	$455,872	-$51,473
Water	Total Fund Balance	$0	$385,044	-$385,044
Water	Total Revenues	$3,926,789	$3,926,789	$0
Water	Total Expenditures & Other Uses	$4,106,048	$3,969,146	$136,902
Sewer	Total Cash	$2,249,196	$2,123,350	$125,846
Sewer	Total Fund Balance	$1,981,501	$3,093,270	-$1,111,769
Sewer	Total Revenues	$5,652,062	$5,620,938	$31,124
Sewer	Total Expenditures & Other Uses	$4,403,477	$4,519,979	-$116,502

The Auditor did not submit the City's AFRs to OSC on time for the 2021 through 2023 required filings. The Auditor filed the:

- 2021 AFR on February 28, 2022, which was 153 days past the due date.
- 2022 AFR on April 3, 2023, which was 187 days past the due date.
- 2023 AFR on October 25, 2023, which was 27 days past the due date.

While the 2024 and 2025 AFRs were filed before the due date, the Auditor told us that he had filed the 2024 AFR knowing it did not contain accurate information because he did not want the report to be late again.

6 GAAP are uniform minimum standards and guidelines for financial accounting and reporting. They are the framework within which financial transactions are recorded and reported and, when properly followed, result in financial statements that can be compared between governmental entities, are consistent between accounting periods and on which internal and external users can rely.

He also told us that he usually waited for the City's external auditors to review his work and then he made necessary corrections to the AFR after it was filed. The Auditor followed this same practice when he filed the 2024-25 AFR.[7]

As the City's chief fiscal officer (CFO), the Auditor should have the education, training and skills to maintain accurate and complete monthly and annual financial records and reports and to file the AFR accurately and in a timely manner each year without relying on the City's external auditors. Without accurate and complete monthly and annual data, the City's financial standing could be questioned and City officials' ability to effectively manage City operations could be doubted. Also, taxpayers, residents, policymakers and other interested parties do not have accurate information regarding the fiscal performance of their government.

Recommendations

The Council should ensure that the Auditor:

5. Has the knowledge, training and skills necessary to maintain complete, accurate and timely accounting records and financial reports and to prepare and file accurate AFRs in a timely manner, as required.
6. Maintains complete, accurate and current accounting records and prepares and files all required financial reports.

The Auditor should:

7. Accurately record financial transactions in accordance with GAAP and prepare timely, accurate, and reliable financial reports.
8. Review and reconcile accounting records throughout the year and promptly correct identified errors to ensure revenues, expenditures and fund balances are accurately reported in accordance with GAAP.
9. Prepare and file accurate AFRs with OSC by the statutory filing deadlines.
10. Obtain training in governmental accounting, financial reporting, general ledger management and GAAP, as necessary, to effectively perform the duties of the Auditor.

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7 OSC's website provides more information on AFR nonfilers and the District's current AFR filing status at: https://web.osc.state.ny.us/localgov/afr-nonfilers/.

Appendix A: Profile, Criteria and Resources

Profile

The City has a population of approximately 14,000 residents, is located in Cattaraugus County and encompasses roughly six square miles. The City is governed by its Charter, State statutes and local laws and ordinances. The City is governed by the seven-member elected Council, which includes the Council President and six Council members. The Council serves as the City's legislative body and is responsible for overseeing the City's financial operations, which includes financial planning, adopting governing policies and developing the annual operating budget.

The Mayor serves as the City's chief executive officer and is responsible, along with other staff, for the City's day-to-day administration. The Auditor serves as the City's CFO and is responsible for maintaining the City's accounting records and preparing monthly and annual financial reports. The Council, Mayor and Auditor share the responsibility for complying with, and ensuring that City officials and employees comply with, the City's financial policies.

The City experienced cash flow issues and significant fiscal stress during its 2006-07 fiscal year, which resulted in the State Legislature authorizing the City to issue $4.3 million in deficit bonds to liquidate accumulated deficits in the City's general, water and sewer funds as of May 31, 2007. While the deficit bonds remained outstanding,[8] OSC performed mandatory budget reviews that provided recommendations to officials for improving and maintaining the City's financial condition. These recommendations included adopting a comprehensive fund balance policy and a multiyear financial and capital plan. As a result, on January 2, 2019, the Council voted unanimously to adopt a fund balance policy.

Criteria

A city council (in conjunction with city officials) is responsible for managing the city's fiscal health and overall financial condition, which includes maintaining a reasonable level of fund balance. A key measure of a city's financial condition is its level of fund balance. Fund balance represents the total accumulation of all operating surpluses and deficits (difference between revenues and expenditures) since the beginning of a city's existence. Unrestricted fund balance is the portion of available fund balance, which is not legally restricted or appropriated, that can be used to finance operations in the subsequent year.

Maintaining a reasonable level of unrestricted fund balance within operating funds is an important financial consideration for city officials because having available, unrestricted fund balance provides a cushion for unanticipated expenditures or revenue shortfalls and helps to ensure that cash flow is adequate to meet the city's financial needs. An effective fund balance policy can help officials to ensure that the city retains adequate levels of fund balance to protect service levels and offset increases in real property taxes and user fees that could result from revenue shortfalls or unanticipated one-time expenditures.

A city can legally set aside and reserve portions of fund balance to finance future costs for a variety of specified objects or purposes. Reserves must be established, funded and used in compliance with statutory provisions. A council should include amounts to be placed in reserve funds in the annual budget. By making provisions to raise resources for reserve funds explicit in the proposed budget, the city council gives voters, residents and taxpayers an opportunity to know its plan for funding reserves. Having a reasonable level of unrestricted fund balance, and specific legally established reserve funds, provide resources for unanticipated events and other identified or planned needs, such as future infrastructure and equipment needs.

To maintain an adequate amount of fund balance and long-term fiscal health, city officials should adopt realistic and structurally balanced budgets that provide sufficient recurring revenues to finance recurring expenditures. Additionally, a city council should adopt comprehensive, written, multiyear financial and capital plans that address long-term needs and alternative approaches to financial issues. A comprehensive, written,

8 OSC concluded its mandatory budget reviews with the City's 2018-19 proposed budget.

multiyear financial plan projects revenues and expenditures for several years into the future to illustrate what could happen to the city's ability to pay for and provide services.

A capital plan is designed to help officials maintain and improve a city's capital assets over time. It should include a list of all major public assets that have a significant useful life; address legal and policy requirements, such as clean water or economic development; establish parameters for how capital assets will be financed; and address how to respond to ongoing maintenance, emerging needs and emergencies. A city council should use these plans as guidelines to develop and adopt realistic and structurally balanced budgets in which recurring revenues finance recurring expenditures and to consider the impact that using one-time financing sources (or other short-term budgeting decisions) and establishing and funding capital reserves may have on future fiscal years.

Accounting records must be maintained in an accurate and timely manner to be relevant and useful for managing city operations. Section 3.079 of the Charter requires the Auditor to provide the Council with monthly reports that detail all revenues and expenditures up to the close of the preceding month. These reports should have reliable, complete and accurately recorded financial information.

GML Article 3, Section 30 requires the Auditor to file an AFR with OSC within 120 days following the close of the fiscal year. The AFR provides the Council, residents, taxpayers and other interested parties with the City's financial position at a point in time and a complete summary of the City's financial activities for the previous fiscal year.

Additional Resources

OSC's *Local Government Management Guides*, and other informational resources that are available on our website to help officials understand and perform their responsibilities, include:

- *Multiyear Financial Planning:* https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf
- *Fiscal Oversight Responsibilities of the Governing Board:* https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf
- *Reserve Funds:* https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: https://www.osc.ny.gov/local-government.

Appendix B: Response From City Officials

The content below is a reproduced copy of the original response letter issued by City officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*[9] and may have included changes to spelling and grammar. The substance of the content was not changed.

CITY OF OLEAN
OFFICE OF THE MAYOR
Amy B. Sherburne

August 21, 2026

Melissa Myers
Chief of Municipal Audits
Division of Local Government and School Accountability

Re: City of Olean, Report of Examination 2026M-40

Dear Ms. Meyers

The City of Olean acknowledges and agrees with the findings and recommendations outlined in the Audit Report. The City takes the findings seriously and is committed to strengthening its internal procedures, controls, and oversight to ensure that identified deficiencies are addressed and that appropriate safeguards are in place going forward.

Since the period reviewed, the City has already identified and implemented improvements in several areas, including enhancements to procedures, documentation, internal controls, and administrative practices. These changes reflect the City's commitment to continuous improvement and to ensuring that established policies and procedures are consistently followed.

The City is also reviewing each finding and recommendation to determine the most appropriate corrective action and to ensure that any remaining issues are addressed in a thorough and sustainable manner. Where additional corrective action is warranted, the City will implement appropriate measures, establish clear responsibilities, and strengthen monitoring to promote compliance and accountability.

The City recognizes that effective internal controls require ongoing evaluation and improvement. Accordingly. we will continue to assess our processes, identify opportunities for improvement, and make adjustments as necessary to reduce the risk of similar findings in the future.

The City appreciates the Audit Report and the opportunity to use its findings as a tool to strengthen municipal operations. We are committed to addressing the recommendations in a responsible and deliberate manner and will be prepared to provide additional information and documentation regarding the City's corrective actions and progress as those efforts are further implemented.

Sincerely,

Amy B. Sherburne

Mayor - City of Olean

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9 https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule

Appendix C: Audit Methodology and Standards

OSC auditors obtained an understanding of internal controls that were deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of the work on internal controls, as well as the work performed in the audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed City officials and employees and reviewed the Council's meeting minutes, the Charter and financial records to gain an understanding of the City's financial management practices, which include maintaining fund balance and preparing and adopting budgets, multiyear financial plans, multiyear capital plans, and monthly and annual financial reports.
- We reviewed the City's Policy and compared the external auditor's reported unrestricted fund balance levels for the general, water, and sewer funds (at the end of each fiscal year in the audit period) to Policy thresholds to determine compliance with the Policy.
- We compared original budgeted revenues to the external auditor's reported actual revenues, and original budgeted appropriations to the external auditor's reported actual expenditures, in the general, water and sewer funds for the 2020-21 through 2024-25 fiscal years to determine whether the budgets were structurally balanced and whether estimates were realistic. We interviewed City officials to determine the cause of significant or unusual variances. We compared the 2024-25 budget to the four previous budgets to identify whether there were any changes in budgeting estimates for the three main operating funds.
- We reviewed the external auditor's reported year-end fund balances and the Auditor's accounting activity for the City's capital projects during the 2020-21 through 2024-25 fiscal years to determine how they were funded. We interviewed City officials to determine the purpose of the projects that were reported in the capital projects fund.
- We reviewed the City's AFR that the Auditor submitted to OSC for the 2023-24 fiscal year to determine whether the submission was accurate, complete and submitted in a timely manner. We also interviewed the Auditor to determine whether similar AFR reporting practices continued with the 2024-25 AFR submission.
- We reviewed the external auditor's and the Auditor's reported unrestricted fund balance transfer activity for the general, water and sewer funds to determine the source and purpose of the transfers, whether the transfers were included in operating budgets and, when applicable, whether the funds were transferred to properly established reserve funds.
- We reviewed the Auditor's reported significant revenues and expenditures in his April 2024, May 2024, January 2025 and February 2025 reports. We also reviewed the reported cash balances and claims paid in the Auditor's May 2024 and February 2025 reports to determine whether his monthly financial reports were accurate. We selected April 2024 and May 2024 because they were at the end of the City's 2023-24 fiscal year and because inaccuracies occurring during those months would have had a larger impact on the City's 2024-25 operations. We selected January 2025 and February 2025 because, at the time of our review, they were the most recently completed monthly reports with year-to-date data that the Council used while preparing the 2025-26 budget.
- We reviewed significant revenues and expenditures reported on the fiscal year-end May 31, 2025 trial balance, which was prepared by the external auditors, to determine whether the Auditor's 2024-25 reports were accurate.

OSC auditors conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. The auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Questions?

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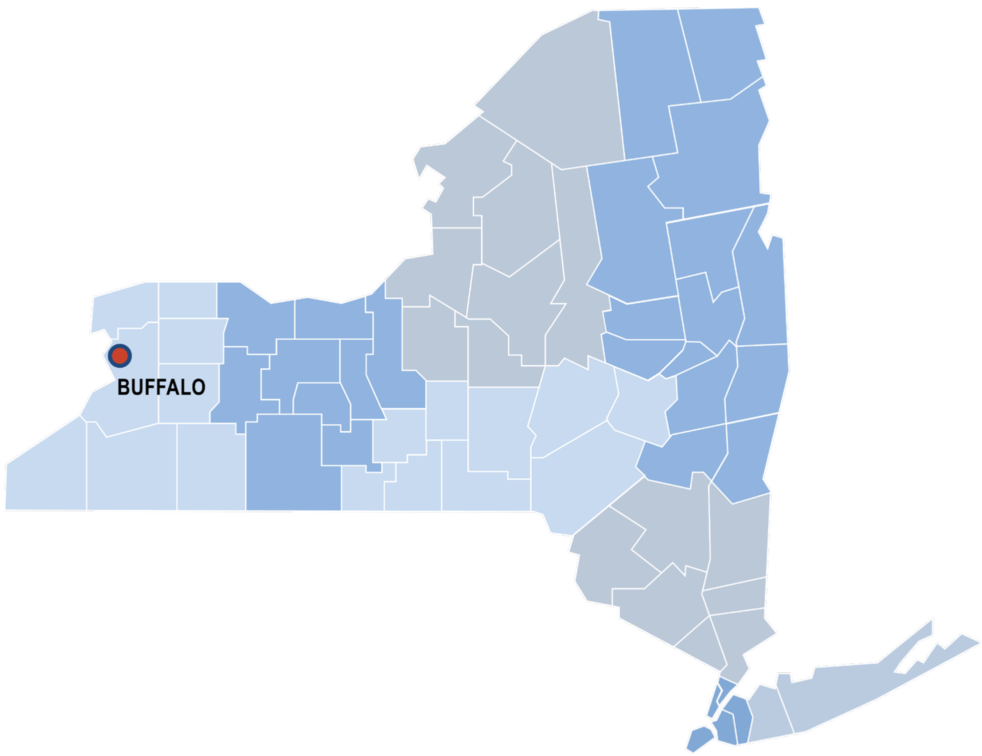

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