New York State Comptroller
THOMAS P. DiNAPOLI

City of Oneida

Bank and Receivable Control Account Reconciliations

September 2026 | 2026M-58

Prepared by the Division of Local Government and School Accountability

Table of Contents

Audit Results

City of Oneida

Audit Objective

Did City of Oneida (City) officials ensure bank accounts and receivable control accounts[1] for real property taxes and water and sewer rents were properly reconciled?

Audit Period

January 1, 2024 – November 25, 2025

Understanding the Audit Area

City officials should ensure bank accounts and receivable control accounts for real property taxes and water and sewer rents are properly reconciled to verify the accuracy and completeness of financial records. Proper reconciliations help safeguard public funds and promptly identify and correct errors, irregularities or unauthorized transactions. They also provide officials with reliable financial information needed to effectively monitor cash and receivable balances and make informed financial decisions.

As of June 30, 2025, the City had 25 bank accounts with cash balances totaling approximately $39 million. In fiscal year 2024, the City billed approximately $6 million for real property taxes and $9.7 million for water and sewer rents.

Audit Summary

City officials did not properly reconcile bank accounts or receivable control accounts for real property taxes and water and sewer rents. As a result, officials lacked assurance that financial records were accurate and complete and that errors, discrepancies or irregularities in collections, disbursements and amounts owed to the City would be identified and corrected in a timely manner. When bank and receivable records are not properly reconciled, officials' ability to effectively monitor the City's financial condition is diminished, and there is an increased risk that errors could be made or public funds could be misused without detection.

We determined the following:

- Bank reconciliations were not properly performed and adequately reviewed. The June 2025 reconciliations for five of the City's 25 bank accounts included various reconciling items that were unsupported, inaccurate or required additional follow-up that was not performed. For example, deposits in transit for the City Chamberlain's (Chamberlain) collections were unsupported and overstated by $39,361 and journal entry adjustments totaling $25,665 were incorrectly reflected in the reconciliations. Also, outstanding checks totaling $13,918 that were written over seven years ago and carried over from the prior accounting system continue to appear on the monthly bank reconciliations even though they are likely no longer outstanding. Because the reconciliations included unsupported and inaccurate reconciling items, the bank reconciliation process did not detect that the City's total cash was overstated by $28,786.
- The City's contracted comptroller[2] had unnecessary online administrative access to the City's bank accounts and was responsible for preparing bank reconciliations and recording journal entries in the accounting records without independent oversight. Although we determined that bank transfers totaling

1 Receivable control accounts are the accounting records that summarize the total amounts owed to the City, such as unpaid real property taxes and water and sewer rents and should agree with the detailed billing and collection records.

2 The former City Comptroller (Comptroller) resigned from the City on June 14, 2024. She went to work for the City's contracted accounting firm and provided financial services for the City on behalf of the firm. City officials refer to the former Comptroller as the contracted comptroller.

approximately $16.6 million were for appropriate City purposes, this lack of segregation of duties and unnecessary bank account access increases the risk that improper transfers or accounting adjustments could occur and remain undetected.

- The receivable control account balances for real property taxes and water and sewer rents were not reconciled to the detailed subsidiary records that identify the amounts that individual taxpayers and customers owed. As a result, differences between the accounting records and unpaid customer account balances were not identified, investigated and resolved. For example, as of June 2025, unpaid real property tax customer accounts exceeded the related receivable control accounts by $177,006 and unpaid water and sewer customer account balances exceeded the corresponding control accounts by $11,197.

The report includes nine recommendations that, if implemented, will strengthen the City's bank and receivable reconciliation processes, improve the accuracy and reliability of its financial records and enhance oversight of cash and amounts owed to the City. City officials generally agreed with our findings and indicated they have initiated or plan to initiate corrective action. Appendix C includes our comments on issues raised in the City's response letter.

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 D.

The Common Council (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 Section 35 of GML. 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.

Bank and Receivable Control Account Reconciliations: Findings and Recommendations

City officials must provide adequate oversight to ensure that bank accounts, and receivable control accounts for real property taxes, and water and sewer rents are properly reconciled and reviewed. Bank reconciliations help to safeguard cash by detecting irregularities or errors on the part of the bank and/or the city when recording cash activity in the accounting records. The periodic reconciliation of receivable control accounts to the total unpaid balances reflected in the individual customer accounts is important to detect differences that could be attributable to errors, unauthorized adjustments to customer accounts or payments posted to customer accounts that were not deposited. These reconciliations should be performed or reviewed by someone who is not involved in the collection, disbursement or recordkeeping process. Any differences identified during the reconciliation processes should be promptly investigated and resolved.

The City Manager is responsible for the City's day-to-day operations, and for appointing and supervising the City Comptroller (Comptroller). The City Manager did not appoint a City Comptroller during our audit period. Instead, the City contracted with an accounting firm for various financial services, including overseeing the maintenance of the City's accounting system and preparing monthly bank reconciliations. The written agreement with the accounting firm states that the City's management is responsible for designing, implementing and maintaining internal controls, including those relevant to bookkeeping processes and monitoring ongoing activities. Because the City has outsourced some of the recordkeeping functions of the Comptroller to the accounting firm, it is important for the City Manager to oversee the accounting firm's work.

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 – The contracted comptroller did not properly reconcile bank accounts and provide the City Manager with bank reconciliations for review.

The contracted comptroller was responsible for completing the monthly bank reconciliations for 24 of the City's bank accounts.[3] We reviewed the completed bank reconciliations for these accounts as of June 30, 2025, and determined that the combined adjusted bank balances totaling $39.1 million agreed with the recorded cash balances in the accounting records. However, the contracted comptroller did not properly reconcile five bank accounts because she included various reconciling items that were unsupported, inaccurate or required additional follow-up that was not performed. These five bank accounts include a general fund account used for depositing routine collections (collection account), a general fund account used for disbursements (disbursement account) and three capital fund accounts. Examples of questionable reconciling items include the following:

<u>Deposits in Transit</u> – Bank reconciliations for the collection account included deposit in transit amounts totaling $412,737 that were not supported. These amounts consisted of $379,814 from the Chamberlain's collections and $32,923 from credit card payment collections for water, sewer and tax collections. To determine the current month's deposits in transit, the contracted comptroller calculated the total difference between the current month's bank deposits and recorded collections, then adjusted the prior month's deposits in transit by the difference to arrive at the total deposits in transit for the bank reconciliation.

3 Of the City's 25 bank accounts, 24 accounts were subject to routine bank reconciliations. The remaining bank account is a pass-through account for electronic transfers and maintains a zero balance.

However, this method did not identify the actual deposits in transit at the end of the month or detect deposit discrepancies because the contracted comptroller did not compare the individual collections in the records with the corresponding bank deposits to identify recorded collections that were not reflected on the bank statement as of the end of the month. Instead, the contracted comptroller's calculated deposits in transit amount served as a "plug" to balance the bank reconciliation by offsetting the difference between total recorded collections and total deposits, without any follow-up to verify that the calculated amount was accurate and supported. We determined that the contracted comptroller overstated the deposits in transit for the Chamberlain's collections by $39,361 in the June 2025 bank reconciliation for the collection account.

In addition, she understated deposits in transit for the credit card payments by at least $3,948. While the City used five credit card vendors to process credit card transactions, officials did not have a good understanding of when payments were posted in the accounting system, how long the vendors took to deposit funds, or which reports were available for reconciliation. Consequently, the contracted comptroller did not properly determine the individual deposits in transit for credit card payments at month-end and her bank reconciliation procedures may not have detected discrepancies between recorded collections and deposits.

During audit fieldwork, the contracted comptroller told us she went back through the records and bank statements and identified the actual month-end deposit in transit for the Chamberlain's collections from January 2025 through June 2025. She told us she identified a recurring monthly variance consistent with the difference we identified in our review of the June 2025 bank reconciliation, in which actual deposits in transit were $39,361 less than the amount recorded. The contracted comptroller did not perform a similar analysis to determine the actual deposits in transit each month for credit card payment collections.

<u>Journal Entry Adjustments</u> – Two journal entries totaling $25,665 were included as deposits in transit in the bank reconciliation for the collection account and as outstanding payments in bank reconciliations for the capital fund accounts. These entries were recorded between the collection and capital fund accounts in December 2024 and April 2025 to reimburse the general fund for grant disbursements and to correct a debt payment. Because these journal entries do not represent funds to be deposited or disbursed, they should not be included as deposits in transit or outstanding payments in the June 2025 bank reconciliations.

<u>Outstanding Checks and Payments</u> – The outstanding payment list in the disbursement account bank reconciliation included 25 checks totaling $13,918 that have remained on the monthly bank reconciliations for over seven years. The contracted comptroller told us that these outstanding checks originated in the City's old accounting system, and they were transferred to the current accounting system in 2017. Although these checks are likely no longer outstanding, she continued to report them in the outstanding check list each month because she was unsure how to remove them from the bank reconciliation and adjust the records.

The disbursement account bank reconciliation also included 19 bank draft reversals totaling $5,094 related to payroll transactions that have remained on the outstanding payment list for at least four years. Because these payments were returned by vendors due to processing errors and will not clear the bank, they should not remain outstanding on the bank reconciliation.

When bank accounts are not properly reconciled, it increases the risk that the cash balances included in the records do not accurately represent the available cash. After adjusting the bank reconciliations for all inaccurate reconciling items we identified,[4] we determined that the total cash balance in the records was overstated by $28,786 (Figure 1).

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4 We included examples of the more significant deficiencies in our report and discussed minor exceptions with officials during fieldwork.

Figure 1: Differences Between Recalculated Adjusted Bank Balances and Recorded Cash Balances as of June 30, 2025

Bank Account	Recalculated Adjusted Bank Balance	Cash Balance in Records	Difference
General Fund Collection Account	$5,314,753	$5,366,023	-$51,270
General Fund Disbursement Account	1,224,085	1,227,266	-3,181
Capital Fund Accounts [a]	25,963,918	25,938,253	25,665
Total	**$32,502,756**	**$32,531,542**	**-$28,786**

a Three capital fund bank accounts are accounted for in one general ledger cash account in the accounting records. As a result, all three bank accounts are combined for reconciliation purposes.

The contracted comptroller told us that she was aware of many of these incorrect reconciling items but did not have time to research and correct them in the bank reconciliations before our audit. She began working with City officials to address these items during our audit fieldwork.

Furthermore, the contracted comptroller did not provide the City Manager with the bank reconciliations for supervisory review and there were no procedures in place for the City Manager to review journal entries recorded by the contracted comptroller. In addition, the contracted comptroller retained administrative permissions for the City's bank accounts, including the ability to initiate bank transfers, although she was no longer responsible for making bank transfers in her current role. Because she had unnecessary bank access and was responsible for preparing bank reconciliations and recording journal entries without any supervisory review, there was an increased risk that she could make an improper transfer or withdrawal and record a journal entry to adjust the cash balance without detection.

Due to these weaknesses, we reviewed bank and wire transfers totaling approximately $16.6 million and determined they were for proper City purposes.[5] Although we did not identify any exceptions in our testing, it is important for the City Manager to strengthen oversight of the contracted comptroller by reviewing and approving journal entries and ensuring bank reconciliations for all accounts are properly prepared and reviewed. These reviews would help prevent and/or detect errors or irregularities and ensure that any discrepancies are addressed in a timely manner.

Recommendations

The City Manager should:

1. Ensure complete and accurate monthly bank reconciliations are prepared, supported by appropriate documentation (e.g., individual deposit in transit, outstanding check lists) and independently reviewed and approved.

2. Ensure the accounting records and bank activity are reviewed to identify the specific deposits in transit that should be reflected in the bank reconciliations.

3. Work with the contracted comptroller to ensure identified discrepancies in the bank reconciliations are resolved, including old bank draft reversals, check disbursements, and outstanding journal entries that may require adjustment in the accounting system. Consult the accounting system vendor for assistance, if necessary.

5 See Appendix C for additional details of our audit testing.

4. Contact the credit card vendors to gain an understanding of how credit card payments are posted to the accounting system and to identify the reports available for reconciling recorded credit card transactions with the related deposits.

5. Ensure online banking access is limited to individuals whose job responsibilities require such access and that administrative permissions are appropriately assigned.

6. Ensure journal entries are independently reviewed and approved before they are recorded in the accounting records.

Finding 2 – The City Manager did not ensure receivable control accounts were reconciled with the total of the individual unpaid customer accounts.

The City Manager did not ensure procedures were in place for the contracted comptroller or City personnel to periodically reconcile the receivable control accounts with the total unpaid customer balances recorded in the subsidiary records for real property taxes and water and sewer rents. As a result, the receivable control accounts were not supported by the subsidiary records, and differences in the records were not identified, investigated and resolved.

<u>Real Property Taxes</u> – We compared the real property taxes receivable control accounts to the total of the individual taxpayer accounts as of July 29, 2025, and determined the total of the customer accounts exceeded the balance recorded in the real property taxes receivable control accounts by $177,006 (Figure 2).

Figure 2: Comparison of Real Property Taxes Receivable Control Accounts and Unpaid Customer Accounts as of July 29, 2025

	Receivable Control Account	Total Unpaid Customer Accounts	Difference
Tax Sale Certificates [b]	$744,756	$924,522	$179,766
Delinquent School Taxes [c]	355,058	347,656	-7,402
Taxes Receivable, City	286,909	291,602	4,693
Taxes Receivable, County	219,437	217,728	-1,709
Library Taxes Receivable	15,634	17,292	1,658
Total	**$1,621,794**	**$1,798,800**	**$177,006**

b Tax Sale Certificates represent the total amount of delinquent taxes for the City, county, library and school district, except for the last two fiscal years of school district taxes.
c Delinquent School Taxes represent unpaid school district taxes for the last two fiscal years (2023-24 and 2024-25).

At the end of each tax collection period (December 1), the contracted comptroller prepared journal entries to move the City and County tax receivable control account balances to the tax sale certificates receivable control account for the current year's unpaid property taxes. However, she did not reconcile the taxes receivable control accounts to the total of the unpaid customer account balances to verify the accuracy of the receivable account balances before recording these entries. This reconciliation process would help to ensure the total amount of current taxes billed, less recorded collections and authorized adjustments, agrees with the total unpaid taxes reflected in the individual customer accounts at the end of the tax collection period.

The contracted comptroller also did not reconcile the tax sale certificate control account, which includes unpaid taxes, for multiple years. As a result, there is an increased risk that amounts owed are not accurately reflected in the accounting records.

In addition, the Council approved various write-offs of taxes receivable for individual property owners to address irregularities and recordkeeping deficiencies resulting from the actions of a former Chamberlain who was charged with allegedly stealing tax, water and sewer payments that were made in cash to the City between 2012 and 2020.[6] We determined that some of these authorized write-offs were not properly recorded in the accounting records. For example:

- The Council passed two resolutions to write off previous years' unpaid taxes totaling $337,079 in November and December 2024 ($170,792 and $166,287, respectively). While certain adjustments were made to the individual customer accounts by the Chamberlain, no corresponding entries were made to reduce the balance of the tax sales certificate control account. The contracted comptroller told us she was not aware that these write-offs had been approved because no one communicated them to her.
- The Chamberlain did not adjust 16 customer tax accounts in the subsidiary records for write-offs authorized by the Council for 22 tax bills totaling $29,722. Consequently, the records incorrectly showed these taxes as still due for the properties.

Because the write-off of real property taxes authorized by the Council were not adequately communicated, and no one reviewed the adjustments to ensure they were properly recorded, both the tax sale certificates receivable control account and subsidiary records contained inaccurate and/or unsupported balances. Had these adjustments been properly recorded in both the control and subsidiary records, the overall difference reflected in Figure 2 would have been even greater ($484,363 instead of $177,006).

When reconciliations of control and subsidiary records are not performed regularly, it becomes more difficult to identify and follow up on the causes of differences between account balances because any errors or irregularities may remain unresolved for extended periods.

Water and Sewer Rents – We compared the water and sewer rents receivable control accounts with the total unpaid customer account balances as of July 25, 2025, and determined the customer account balances exceeded the receivable control account balances by $11,197 (Figure 3).

Figure 3: Comparison of Water and Sewer Rents Receivable Control Accounts and Unpaid Customer Accounts as of July 25, 2025

	Receivable Control Account	Total Unpaid Customer Accounts	Difference
Water Rents Receivable	$116,298	$119,388	$3,090
Sewer Rents Receivable	184,644	184,544	-100
Kenwood Sewer District Rents Receivable	-7,463	744	8,207
Total	**$293,479**	**$304,676**	**$11,197**

We also determined that the Kenwood Sewer District difference resulted, in part, from a journal entry error totaling $7,891 that incorrectly credited the account balance when the City converted to the current accounting system in 2017. This error created a negative balance in the receivable control account, which was not identified until we brought it to the contracted comptroller's attention.

The City Manager told us he relied on the contracted comptroller to maintain the central accounting records and ensure the reported account balances are accurate. The contracted comptroller told us she relied on the Chamberlain and clerks in the water and sewer departments to reconcile their respective total unpaid accounts to the receivable control accounts. However, these responsibilities were not clearly delegated, and these officials were not performing and documenting reconciliations. In addition, the Chamberlain should not be responsible for reconciling the receivable accounts because she is responsible for collecting, recording and depositing the associated real property tax payments and water and sewer rent collections.

6 The allegations against a former Chamberlain were addressed in a press release issued by our Office: https://www.osc.ny.gov/press/releases/2022/10/dinapoli-former-oneida-city-chamberlain-arrested-stealing-more-78000-city-funds. The former Chamberlain passed away before the case was resolved.

Because the receivable control accounts were not periodically reconciled with the list of unpaid customer accounts in the subsidiary records, there is an increased risk that errors or irregularities in customer payments or balances could occur and remain undetected.

Recommendations

The City Manager should:

7. Establish procedures to periodically reconcile receivable control accounts for real property taxes and water and sewer rents to the detailed customer account records, document the reconciliations, and promptly investigate and resolve any differences.

8. Establish procedures for the independent supervisory review of receivable control account reconciliations.

9. Ensure all Council-authorized adjustments and write-offs are timely communicated to appropriate personnel and accurately recorded in the accounting records.

Appendix A: Profile, Criteria and Resources

Profile

The City, located in Madison County (County), is governed by an elected Council which includes a Mayor and six Council members. The Council is responsible for the overall governance of the City. The City has a population of 10,326 residents and provides various services, including water and sewer services, public safety, transportation and general government support. The City's 2025 budgeted appropriations totaled approximately $29.2 million.

The City Manager is appointed by the Council and serves as the City's chief executive officer. Pursuant to the City Charter, the City Manager appoints the City Comptroller (Comptroller), who serves as the City's chief fiscal officer (CFO) and is responsible for the administration of the City's financial affairs and maintaining and supervising the City's accounting system. Since the Comptroller position was vacant during the audit period, the Deputy Comptroller assumed the responsibility of serving as the City's CFO.

The Chamberlain is responsible for collecting, recording and depositing taxes, water and sewer rents and other miscellaneous receipts (e.g., tax searches, parking tickets). The City is responsible for enforcing City, County and Oneida City School District unpaid taxes. If the taxes are not paid for two years, the City may acquire, sell and restore the property to the tax roll.

Criteria

The reconciliation of bank account balances with the accounting records is a necessary element of an effective internal control system for cash. Monthly bank reconciliations should be prepared in a timely manner for all bank accounts to ensure that adjusted bank account balances agree with the cash balances in the accounting records. An adjusted bank balance is determined by adding deposits in transit and subtracting outstanding checks and other pending charges from the bank balance as of a specific date.

As part of the bank reconciliation process, it is important to follow up on stale items, such as outstanding checks or deposits in transit that should have cleared the bank but continue to appear on the bank reconciliations for an extended period. The longer these reconciling items remain unresolved, the more difficult they become to research and address.

Any discrepancies between adjusted bank balances and recorded cash balances should be promptly investigated and corrected to ensure cash balances are accurate and all cash activity is properly recorded. In addition, monthly bank reconciliations should be performed by someone who is not involved in the cash collection, disbursement or recordkeeping processes. If segregation of duties is not feasible due to limited staffing, city officials should require a supervisory review of bank reconciliations and an authorization process for any necessary corrections.

A receivable represents money owed to a city from taxpayers, customers or other entities. A receivable control account is a general ledger account used to record and summarize total billings, collections, adjustments, and the total outstanding balance of billed receivables such as real property taxes and water and sewer rents. The receivable control account should be periodically reconciled to the total unpaid balances reflected in the individual customer accounts maintained in subsidiary records. Any differences identified during the reconciliation process should be promptly investigated and resolved to ensure that the receivable balances reported in the general ledger and the subsidiary records are accurate and reliable. This reconciliation process should be performed by someone who is independent of the cash collection and deposit process and recording payments from customers. If these duties cannot be segregated, a supervisor should review the accuracy and completeness of the control account reconciliations.

Additional Resources

OSC's *Local Government Management Guide* available on OSC's website to help officials understand and perform their responsibilities:

- *The Practice of Internal Controls:* https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.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 the City officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,[7] and may have included changes to spelling and grammar. The substance of the content was not changed.

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August 31, 2026

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Syracuse Regional Office
State Office Building, Room 409
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Syracuse, NY 13202-1428

Re: City of Oneida - Response to Preliminary Draft Report
Bank and Receivable Control Account Reconciliations, 2026M-58

Dear **[Redacted]**:

The City of Oneida appreciates the opportunity to respond to the preliminary draft report concerning bank and receivable control account reconciliations.

The City agrees that several of the procedures identified by OSC can and should be strengthened, particularly with respect to independent review, documentation of reconciliations, segregation of duties, and the assignment of responsibility for recurring reconciliations. The City has already implemented several corrective measures and is establishing additional procedures in response to the audit.

At the same time, we believe it is important that the final report accurately distinguishes between current procedural weaknesses and significant historical accounting conditions inherited by the present administration [OSC Comment: See Appendix C, Note 1]. Several of the balances identified during this audit originated years before the current City Manager's tenure and involved the City's prior accounting system, a multi-year software conversion, historical property-tax records, and the consequences of previously investigated fraud involving a former City Chamberlain.

Importantly, OSC's testing of approximately $16.6 million in bank and wire transfers found that the transactions tested were for appropriate City purposes. The City therefore views the findings primarily as an opportunity to strengthen reconciliation, documentation, and supervisory controls while continuing the difficult work of resolving longstanding historical balances.

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

Finding 1 - Bank Reconciliations

Recommendation 1 - Monthly bank reconciliations

The City agrees with this recommendation.

The City's contracted accounting firm currently prepares monthly reconciliations for the City's bank accounts. Going forward, the completed reconciliations, applicable bank statements, supporting workpapers, deposits-in-transit schedules, outstanding-payment schedules, and other supporting documentation will be provided for independent supervisory review and approval by a designated City official who is not responsible for preparing the reconciliations.

The City Manager will establish and document this monthly review process.

Recommendation 2 - Deposits in transit

The City agrees that deposits in transit should represent specifically identifiable transactions rather than amounts calculated solely to reconcile differences between recorded collections and bank activity.

The methodology used during the period reviewed by OSC developed in part during the City's conversion to its current financial software and during a period when Finance lacked sufficient detail to independently identify certain collections and deposits.

The $39,361 difference identified by OSC was subsequently researched by the contracted comptroller, including a reconstruction of activity from January through June 2025. The City's current procedure has been changed. Chamberlain deposits in transit are now individually identified on each bank reconciliation and tracked to confirm that they clear the bank during the subsequent period. Any discrepancy is followed up on directly rather than carried forward without investigation.

Subsequent research has also identified legacy conversion items contained within previously unresolved balances. For example, a $7,891.04 Kenwood Sewer balance originating from the prior system conversion was identified and corrected. The remaining open discrepancy previously reported at $10,298.03 has consequently been reduced to $2,406.99.

The City will continue researching the remaining amount rather than making an unsupported adjustment solely for the purpose of causing the balances to agree.

Recommendation 3 - Outstanding checks, bank draft reversals and journal-entry items

The City agrees that historical reconciling items should be researched and appropriately cleared.

Many of the outstanding checks identified by OSC predate the current administration and originated in the City's former **[redacted]** accounting system. Because those checks were not originally created within **[redacted]**, they cannot simply be voided using the normal current-system process. The underlying general ledger accounts must first be researched so that any correcting entries are properly recorded. **[redacted]** has indicated that many such historical items were previously researched and cleared, although remaining items still require additional work.

The City will designate appropriate Finance staff to research the remaining stale checks and the payroll-related bank draft reversals totaling $5,094, with assistance from the contracted comptroller and software vendor as necessary.

The two journal-entry items totaling $25,665 identified by OSC have already been corrected. The contracted comptroller has documented that those items were cleared on November 11, 2025.

Regarding OSC's resulting calculation that cash was overstated by $28,786, the City acknowledges that the reconciliation contained historical and improperly classified reconciling items. However, based solely upon the information contained in the draft report, the contracted comptroller has not been able to independently reproduce all components of OSC's $28,786 net calculation. The City understands that $25,665 relates to journal-entry items that have since been corrected and that another portion may relate to historical stale checks and reversals.

The City would welcome the opportunity to review OSC's supporting calculations or workpapers so that any remaining components of that amount can be fully understood and appropriately addressed [OSC Comment: See Appendix C, Note 2].

Recommendation 4 - Credit card processing

The City agrees that additional information from its credit-card processors would strengthen the reconciliation process.

The City currently uses multiple processors for recreation, tax, and utility transactions, including **[redacted]**, **[redacted]**, **[redacted]**, **[redacted]** and **[redacted]**. Finance historically has not received detailed settlement information directly from all processors and has therefore relied upon comparisons between bank deposits and transactions recorded in **[redacted]**.

The City will contact the applicable processors and departments to identify available transaction and settlement reports and will develop a standardized procedure for reconciling processor activity to **[redacted]** records and actual bank deposits.

Recommendation 5 - Online banking access

This recommendation has been implemented.

The City reviewed the contracted comptroller's banking permissions and removed unnecessary authority. The contracted comptroller no longer has the ability to initiate bank transfers or wire payments.

The City will continue periodically reviewing banking permissions to ensure that access is limited to responsibilities required by each position.

Recommendation 6 - Independent review of journal entries

The City agrees with this recommendation.

The contracted comptroller currently provides the City Manager with a report of journal entries as part of the City's monthly financial reporting. However, the City agrees with OSC that a prospective independent approval procedure will provide stronger internal control.

The City's **[redacted]** accounting system has the capability to restrict processing until an approval is completed. The City will use that functionality to establish documented independent approval of manual journal entries before posting by an official who did not prepare the entry. The City Manager will continue to receive the monthly journal entry report as an additional management oversight mechanism.

Finding 2 - Receivable Control Accounts

The City agrees that receivable control accounts should be periodically reconciled to detailed customer accounts and that those reconciliations should be independently reviewed.
However, the historical context of the property-tax receivable balances is particularly important to understanding this finding.

The City experienced significant fraud involving a former City Chamberlain and tax, water and sewer payments during prior years. OSC is already familiar with this matter through its previous investigation. The former Chamberlain subsequently passed away before the matter could be fully resolved, leaving the City without a complete ability to reconstruct every historical payment and affected property. OSC's own draft acknowledges that the historical irregularities involved transactions dating from 2012 through 2020 and that the former Chamberlain died before the matter was resolved.

As a result, the City has spent years attempting to distinguish legitimate unpaid balances from balances affected by historical recordkeeping deficiencies, prior-system conversion issues, previously authorized write-offs, and transactions connected with the former Chamberlain matter.

Property-tax receivables and the $177,006 finding

OSC's preliminary report identifies a $177,006 difference between the City's property tax receivable control accounts and its detailed taxpayer records.

The City has not concluded that this entire amount represents a newly identified difference arising during the audit period.

In fact, the City's independent auditors had already identified a substantially similar historical property tax receivable issue before the current City Manager's tenure.

As part of the City's audit for the year ended December 31, 2023, the City's independent auditors issued a management letter dated May 31, 2024. That letter specifically stated that there was potentially an additional approximately $177,000 of property-tax receivables from tax years 2019 through 2021 requiring further review and recommended that the Chamberlain review those balances for accuracy and seek formal Common Council action for amounts ultimately determined to require write-off.

The associated 2023 audit adjusting entries are even more specific. Adjusting Journal Entry No. 27 established an allowance of $177,531 for 2019-2021 property-tax receivables.

This documentation predates the current City Manager's arrival and demonstrates that an approximately $177,000 unresolved historical property tax receivable condition was already known and documented during the City's 2023 financial audit.

The City is not asserting at this time that the $177,531 identified during the 2023 audit and OSC's present $177,006 difference are necessarily identical amounts. The City believes that relationship requires additional reconciliation.

However, the contemporaneous 2023 audit documentation is important context because it demonstrates that a substantially similar unresolved property-tax receivable issue existed before the current administration and was associated with historical property-tax records requiring additional research.

Given the history of the former Chamberlain matter, the inability to reconstruct every affected historical transaction, and legacy accounting-system issues, the City does not believe that these balances should simply be adjusted to make the general ledger and subsidiary records agree. Any adjustment must be supported by sufficient research to ensure that the City does not improperly remove a legitimate receivable or leave an erroneous receivable outstanding.

The City will therefore continue the detailed reconciliation of the tax-sale records and will make corrections as the underlying causes are established.

Council-authorized adjustments and write-offs

The City agrees with OSC that Council-authorized tax adjustments and write-offs must be timely communicated to all offices responsible for maintaining the affected records.

The contracted comptroller does not have access to the property tax module and cannot independently adjust individual taxpayers' accounts. Those changes require coordination among the City Clerk, Chamberlain and Finance functions.

The City will formalize a process under which any Council resolution authorizing a tax adjustment or write-off is transmitted to each responsible office, entered into a tracking process, and followed through until the City confirms that both the detailed taxpayer record and the applicable general ledger/control account have been properly updated.

Water and sewer receivables

The City has already researched and corrected significant components of the water and sewer differences identified by OSC.

The approximately $3,090 Water Rents Receivable difference related to the re-levy process and the 10 percent penalty added to those amounts. The City subsequently determined that the amount belonged to the General Fund rather than the Water Fund and recorded an adjustment accordingly.

The approximately $7,891 Kenwood Sewer District balance was a legacy conversion balance originating with the prior accounting system. That item has now been corrected.

Recommendation 7 - Periodic receivable reconciliations

The City agrees and is implementing this recommendation.

The City will establish a monthly process under which the Chamberlain's Office and appropriate utility/accounting personnel provide the detailed receivable reports necessary to perform the reconciliation.

The City's contracted accounting firm has indicated that it can perform the monthly comparison of those detailed reports to the related general ledger control accounts once the necessary information is provided. Any difference will then be returned to the appropriate department for research and resolution.

This process will be documented so that responsibility for preparation, reconciliation, investigation of differences and retention of supporting documentation is clearly assigned.

Recommendation 8 - Independent review of receivable reconciliations

The City agrees.

Completed receivable reconciliations will be subject to documented supervisory review by an official independent of both the collection activity and the preparation of the reconciliation.

The City Manager will designate the appropriate reviewer as part of the formal written reconciliation procedure.

Recommendation 9 - Communication of Council-authorized adjustments

The City agrees and has already begun improving this process.
Going forward, Council-authorized financial adjustments and write-offs will be communicated directly to Finance, the Chamberlain's Office and any other department responsible for the affected subsidiary records. The City will maintain confirmation that the authorized adjustment has been recorded in each applicable system or account.

The contracted comptroller has also implemented a practice of reviewing Council minutes to identify financial actions that may not otherwise have been communicated to Finance.

Conclusion

The City appreciates OSC's review and recognizes that the audit has identified opportunities to strengthen formal reconciliation, documentation, independent review and segregation-of-duties procedures.

The City has already implemented several of OSC's recommendations and is actively implementing the remainder.

At the same time, the City respectfully requests that the final report accurately reflects the significant historical context surrounding several of the balances identified during the audit [OSC Comment: See Appendix C, Note 1]. The City's independent financial records demonstrate that substantial unresolved property-tax receivable issues existed prior to the current administration, including an approximately $177,000 balance specifically documented during the City's 2023 independent financial audit.

Those historical issues were further complicated by previously investigated fraud involving a former City Chamberlain, incomplete historical property-level records, prior Council-authorized adjustments, and the City's conversion from its previous accounting system.

The current administration did not create those historical conditions. It does, however, accept responsibility for ensuring that the City addresses them appropriately and establishes procedures so that similar unresolved balances are not allowed to carry forward in the future.

The City's approach will therefore be twofold: resolve historical balances only when sufficient information exists to support the appropriate accounting treatment, while simultaneously strengthening current internal controls, reconciliation procedures, documentation, and independent oversight.

The City appreciates OSC's assistance throughout this process and looks forward to continuing to work cooperatively with your office.

Sincerely,

Kyle P. Lovell
City Manager
City of Oneida

Appendix C: OSC Comments on the City’s Response

Note 1

Our audit period was January 1, 2024 through November 25, 2025. As a result, activity and balances were reviewed based on current practices, which include how the current administration responds to discrepancies and implements oversight and controls. Our audit report acknowledges historical conditions based on discussions with officials and how they could impact current balances. The City’s response letter provides additional historical context.

Note 2

During our audit fieldwork we provided the contracted comptroller with supporting information for the $28,786 difference discussed in the report. The City Manager submitted the City’s response letter prior to our exit conference and requested additional information about this difference. We subsequently provided City officials with a summary showing the components of this difference during our exit conference.

Appendix D: 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 the Deputy Comptroller, Chamberlain, account clerk, water department clerk, and the contracted comptroller and reviewed various financial records and reports to gain an understanding of the reconciliation process for bank accounts, and receivable control accounts for real property taxes and water and sewer rents.

- We interviewed the City Manager, Deputy Comptroller and contracted comptroller and reviewed the written agreements between the accounting firm and the City to determine the services expected to be provided during the audit period that were relevant to the audit objective.

- We reviewed bank reconciliations for 24 bank accounts as of June 30, 2025, to determine whether they were completed accurately, adjusted bank balances agreed with recorded cash balances and deposits in transit and other reconciling items were supported. We used our professional judgment to select June 2025 because this was the most recent month when most bank reconciliations were completed before the start of audit fieldwork.

- We examined 20 transfers between bank accounts totaling $14.8 million and 57 external electronic and wire transfers totaling $1.8 million in April 2024 and June 2025 to determine whether the transactions were authorized, for proper City purposes and had accompanying journal entries in the general ledger. We selected April 2024 to include a test month when the former Comptroller was employed by the City, and June 2025 for consistency with the bank reconciliation testing month and when the bank reconciliation duties were contracted out.

- We reviewed the remaining 14 journal entries that reduced cash by approximately $2 million in the two test months and were not included in the previous transfers testing to determine whether the entries were reasonable, proper and supported.

- We compared all real property tax receivable control account balances with the total unpaid balances in the corresponding subsidiary customer accounts as of July 29, 2025. We adjusted the reconciliations to address differences caused by the timing of the postings to the receivable control and subsidiary accounts and we discussed any remaining differences with the Chamberlain and contracted comptroller. We used our professional judgment to select July 29, 2025 for testing because the system could not generate a report of unpaid individual customer account balances as of a prior date, and this was the date we requested and received the report.

- We reviewed Council meeting minutes and supporting schedules for authorized real property tax write-offs and compared these amounts with the taxes receivable control accounts and subsidiary customer accounts to determine whether the adjustments were properly recorded. The authorized write-offs totaled $588,485, including $119,267 for 2007-2014 taxes, $166,287 for 2015-2016 taxes, $170,793 for 2017-2021 taxes, and $132,138 for 2019-2021 taxes.[8]

- We compared the water and sewer receivable control accounts with the listing of unpaid individual customer accounts as of July 25, 2025, to determine whether receivable control account balances were supported by the subsidiary records. We adjusted the reconciliations to address differences caused by

8 In some instances, the Council authorized the write-off of the same tax bills in multiple resolutions.

the timing of the postings to the receivable control and subsidiary records, and we discussed any remaining differences with the contracted comptroller and City employees. We selected July 25, 2025 for testing because the system could not generate a report of unpaid individual customer account balances as of a prior date, and this was the date we requested and received the report.

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. Auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the 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 relevant population size and the sample selected for examination.

Questions?

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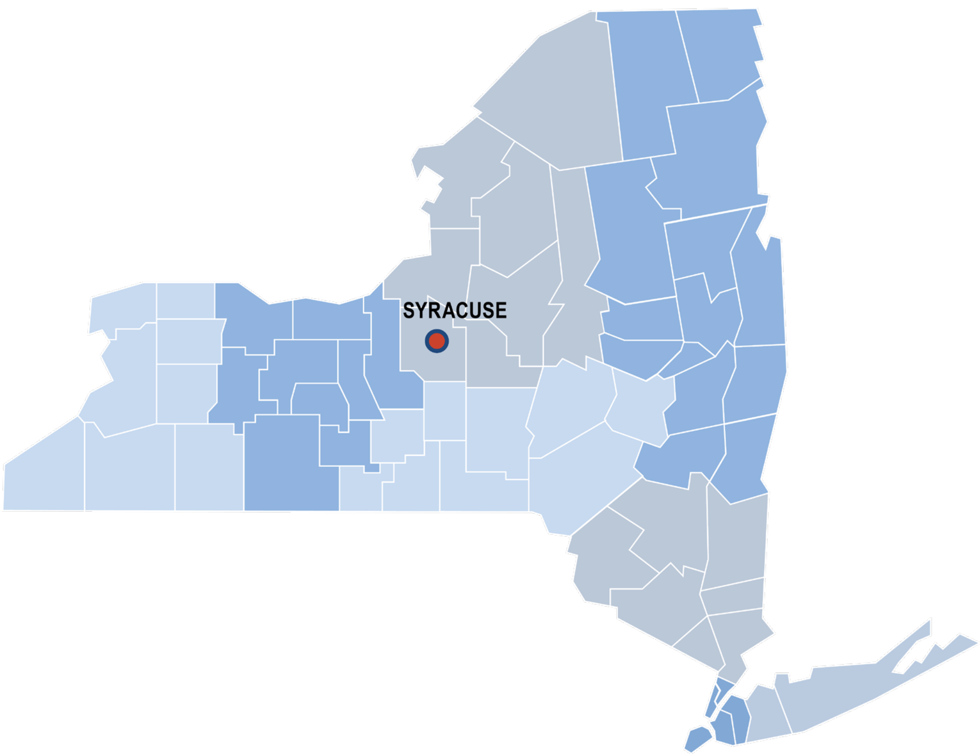

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