

# Town of Smithville

## Annual and Claims Auditing

**MAY 2020**



OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Town of Smithville

### Audit Objective

Determine whether the Board annually audited the records of Town officers and audited claims before payment.

### Key Findings

- The Board did not annually audit the records of the Supervisor or Town Clerk.
- The Board did not perform a deliberate and thorough audit of claims.

### Key Recommendations

- Annually audit the records of all officials who receive and disburse funds.
- Perform a deliberate and thorough audit of all claims.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The Town of Smithville (Town) is located in Chenango County (County). The Town is governed by an elected Town Board (Board) composed of four Board members and the Supervisor. The Board is responsible for the general oversight of all operations and finances. The Supervisor is the chief executive, chief fiscal and budget officer. The Supervisor hired a bookkeeper who handles the day-to-day financial operations.

The Town Clerk collects fees for a variety of purposes, including marriage, dog and environmental licenses, birth and death certificates, and certified copies. The Town Clerk is also responsible for collecting and remitting real property taxes to the Town and County.

#### Quick Facts

Population	1,474
2019 General Fund Appropriations	\$896,951
2019 Real Property Tax Levy	\$521,371

### Audit Period

January 1, 2018 - November 30, 2019.

# Annual and Claims Auditing

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## What is an Effective Audit of Records and Claims?

The board fulfills its oversight responsibility, in part, through annually auditing the records of all town officers and employees responsible for receiving and disbursing money and auditing and approving all claims against the town before payment.

The annual audit should be thorough and the results should be documented in the board minutes. When properly done, the audit provides board members an opportunity to assess the reliability of the officers' books and records and supporting documents. An annual audit also serves to identify conditions that need improvement and provides the board with a better understanding of town operations, which is essential to effective oversight.

The board is required to audit and approve all claims against the town before payment. The audit of claims should be a deliberate and thorough process allowing the board to determine whether proposed payments were properly supported by itemized invoices or receipts, that the goods and services were received and that claims represent actual and necessary expenditures.

## The Board Did Not Annually Audit the Records of All Officers

The Board did not annually audit the records of all officers who received or disbursed cash. Although two Board members annually audited the Justice's records, the Board did not annually audit the records of the Supervisor or Town Clerk.

The Supervisor told us that the Board audits the Justice's records because the New York State Unified Court System requests documentation of the audit. The Town Clerk told us that her records are available to be reviewed, but they have not been audited in at least 15 years. The Board receives regular reports from the Supervisor and Town Clerk at Board meetings. However, such reports do not fulfill the Board's annual audit requirement.

For our audit period, we reviewed 82 cash receipts totaling approximately \$1.1 million to determine whether they were accurately recorded and properly deposited.<sup>1</sup> Additionally, we reviewed all 24 withdrawals from Town bank accounts totaling about \$242,800, all 151 outgoing transfers from the Supervisor's and Town Clerk's bank accounts totaling approximately \$154,700 and 181 disbursements from the Supervisor's and Town Clerk's bank accounts totaling approximately \$2.3 million to determine whether these disbursements were for appropriate purposes.<sup>2</sup>

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<sup>1</sup> Refer to Appendix B for information on our sampling methodology.

<sup>2</sup> Ibid.

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Although our testing did not reveal any significant discrepancies, without a proper annual audit the Board's ability to effectively monitor financial operations is diminished and errors or irregularities could occur and remain undetected and uncorrected. We provided the Board with annual audit guidance available in our publication, *Fiscal Oversight Responsibilities of the Governing Board*.<sup>3</sup>

## **The Board Did Not Properly Audit Claims**

The claims and supporting documentation were available to the Board members to review. However, Board members told us that they only reviewed a claim if they had a question about an item on the abstract (list of claims). Instead, the Board reviewed and approved the abstracts. A Board member told us that the abstracts contained all the information they needed to approve claims for payment.

Because of the lack of an adequate claims audit process, we reviewed 102 claims paid during the audit period totaling \$74,090 to determine whether they were adequately supported and for proper purposes. Except for minor discrepancies, which we discussed with Town officials, our testing did not reveal any discrepancies.

Relying on the claims listed on the abstracts, without ensuring that the supporting claims are appropriate, increases the risk that an improper disbursement could be made. This risk is compounded because of the lack of annual audits of the Supervisor's records. We provided the Board with claims audit guidance available in our publication, *Improving the Effectiveness of Your Claims Auditing Process*.<sup>4</sup>

## **What Do We Recommend?**

The Board should:

1. Perform annual audits of the records of all officers who receive and disburse funds.
2. Perform a deliberate and thorough audit of all claims and supporting documentation before approving them for payment.

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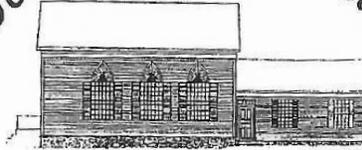
<sup>3</sup> [https://osc.state.ny.us/localgov/pubs/lgmg/fiscal\\_oversight.pdf](https://osc.state.ny.us/localgov/pubs/lgmg/fiscal_oversight.pdf)

<sup>4</sup> <https://osc.state.ny.us/localgov/pubs/lgmg/claimsauditing.pdf>

# Appendix A: Response From Town Officials

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Town of Smithville



P.O. Box 217  
Smithville Flats, NY 13841

05/20/2020

Smithville, New York response to audit

Sorry for the delay but due to the Covid we did not have a Board Meeting for April 2020 and the items were not discussed. The board and I were very pleased with the way the auditors handled the audit for The Town of Smithville, New York.

As For the recommendation for handling future audits

- 1] Annual audits for all Officers we will ( the Board) conduct a annual review using Appendix C and for the Clerk we will use Appendix D.
  
- 2] We will print an extra copy of General warrants and Highway warrants to be reviewed and approved by the Board Members at the monthly meeting.

John Cammarata

Town of Smithville Supervisor

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## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and employees and reviewed Board minutes to gain an understanding of the Board's oversight of financial activities including the Board's claims audit and approval process and annual audit process over the records of officers and employees who received and disbursed funds.
- We reviewed the Supervisor's bank accounts for our audit period and used our professional judgment to select a sample of all non-payroll disbursements paid to cash, the bookkeeper, the Supervisor or vendors with which the Town had credit accounts, which comprised 73 check disbursements totaling \$27,647. We used our professional judgment to select a sample of 29 additional checks totaling \$46,443 paid to vendors who provided goods or services that could be used for personal purposes. We reviewed these disbursements to determine whether they were adequately supported, Board-approved and for proper purposes.
- We reviewed all 151 electronic transfers made during our audit period totaling \$154,734 from the Supervisor's and Town Clerk's bank accounts to determine whether they were for proper purposes.
- We examined all 24 withdrawals made during the audit period totaling \$242,809 from Town bank accounts to determine whether they were deposited in other Town accounts.
- We reviewed all 52 Town Clerk disbursements made during the audit period totaling \$5,979 to determine whether they were for proper purposes.
- We reviewed the Town Clerk's tax bank account during our audit period and reviewed all 27 disbursements totaling approximately \$2.3 million to determine whether they were for proper purposes.
- We used our professional judgment to select a sample of 16 cash receipts received by the Supervisor during our audit period totaling approximately \$1.1 million. We reviewed these receipts to determine whether they were accurately recorded and properly deposited. Our sample included the two largest payments received in 2018 and 2019 by the Justice, the Town Clerk, the Town Clerk's tax account and four payments received from the State.
- We used our professional judgment to select two months (January 2018 and January 2019) during our audit period. We reviewed all cash receipts received by the Town Clerk during these months, comprising 30 receipts totaling \$335, to determine whether they were accurately recorded and deposited intact and in a timely manner.

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- We used our professional judgment to select a sample of 10 tax bills from each year of our audit period (2018 and 2019). We selected our sample from each year's tax roll beginning with the first tax bill and selected every 100th bill thereafter. We also used our professional judgment to select the tax bills of the Town Clerk, Supervisor and four Board members. We reviewed our sample of 36 bills totaling \$50,584 to determine whether the amounts received by the Town Clerk were accurately recorded and properly deposited. Additionally, for the six bills totaling \$6,510 that during the audit period were paid after the due date, we determined whether penalties were properly calculated and collected.

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

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

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[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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

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