



# Village of Schaghticoke

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## Board Oversight

**2023M-78 | November 2023**

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# Report Highlights

## Village of Schaghticoke

### Audit Objective

Determine whether the Village of Schaghticoke (Village) Board (Board) provided adequate oversight of financial operations.

### Key Findings

The Board did not provide adequate oversight of financial operations. As a result, the Board cannot be sure it has accurate financial information to make decisions and gauge the Village's financial condition. The Board did not:

- Establish controls or other oversight procedures to compensate for the Clerk-Treasurer performing all functions of the financial and recordkeeping duties.
- Audit the Clerk-Treasurer's records and reports for the fiscal year ending May 31, 2022.

### Key Recommendations

- Establish compensating controls, including periodically reviewing bank statements, cancelled check images and bank reconciliations prepared by the Clerk-Treasurer.
- Annually audit the Clerk-Treasurer's records and reports.

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

### Background

The Village is located in the Town of Schaghticoke in Rensselaer County. The Village provides various services to its residents including street maintenance and improvements, water, snow removal, fire protection, recreation and general government support.

The Village is governed by the elected Board composed of a Mayor and four trustees. The Board is responsible for the general management and control of finances and operations. The Mayor is the chief executive officer.

The Board-appointed Clerk-Treasurer is the chief fiscal officer and custodian of all funds, responsible for receiving and disbursing money, maintaining accounting records and preparing monthly and annual financial reports.

#### Quick Facts

2022-23 General Fund Appropriations	\$249,500
2022-23 Water Fund Appropriations	\$115,000
Population	572

### Audit Period

June 1, 2021 – January 31, 2023

# Board Oversight

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## **How Should a Board Provide Oversight of Village Financial Operations?**

A board should ensure the clerk-treasurer provides regular financial reports that are complete, accurate and reliable so the board can monitor financial operations and initiate corrective action in a timely manner. Financial reports should include financial position, results of operations, reconciled cash balances for each bank account and budget status. Budget status reports should compare actual revenues and expenditures to amounts estimated in the annual budget.

A board should establish procedures that provide adequate segregation of duties so that one individual does not control all phases of financial transactions. Specifically, if practical, one individual should not have the ability to authorize, execute and record a transaction or control the entire collection and disbursement processes.

When it is not practical or cost effective to segregate financial duties, a board must ensure compensating controls are in place. Compensating controls include establishing oversight procedures designed to reduce the risk of errors or irregularities occurring and remaining undetected. These procedures should include routinely reviewing work performed by individuals who maintain custody of village funds and who approve or record transactions affecting the funds. For example, reviewing bank statements, cancelled check images and bank reconciliations for unauthorized transactions to independently verify that collections and disbursements are properly recorded and accounted for.

A board is also required to conduct an annual audit, or have a village officer, employee or an independent public accountant audit the clerk-treasurer's annual report and the supporting records. An annual audit provides an independent verification that transactions are properly recorded, and village money is properly accounted for.

## **The Board Should Improve Oversight of Village Financial Operations**

The Clerk-Treasurer performs all functions of the financial and recordkeeping duties, including receiving and processing collections, making deposits, recording transactions, preparing and signing checks, mailing checks, executing bank transfers, processing payroll, reconciling bank accounts and preparing monthly financial reports with little review. Specifically, while the Board audits claims and receives monthly reports, no one receives or reviews bank statements or performs other reviews and the Board did not audit or provide for an audit of the Clerk-Treasurer's records and reports for the fiscal year ending May 31, 2022.

The Mayor and three Board members told us they believed they were providing adequate oversight of the Clerk-Treasurer through the Board's audit and

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authorization to pay claims. Although the Board reviews the claims and abstracts and initials and dates its approval to pay on claim vouchers, the claims audit does not effectively mitigate risks related to the lack of segregation of duties because there is no other Board review after claims are paid such as comparing canceled check images to approved claims or accounting records.

In addition, although the Clerk-Treasurer provides monthly budget-to-actual reports and cash balances on the monthly reports agreed to the Clerk-Treasurer's reconciliations, no one received or reviewed bank statements, cancelled check images or bank reconciliations to help minimize the risk of unauthorized transactions.

Because of the lack of segregation of the Clerk-Treasurer's duties and limited oversight, we reviewed nine months of financial reports,<sup>1</sup> including budgetary status reports and bank reconciliations, to determine whether the Board received complete and accurate monthly financial reports in a timely manner. We also reviewed 30 claims to determine whether they were audited and approved by the Board before payment.

While we did not identify significant errors, when officials are unable to adequately segregate duties and do not establish compensating controls or other oversight procedures and audits are not in place, there is an increased risk that errors and/or irregularities, such as unaudited claims being paid or undeposited collections, could occur and remain undetected and uncorrected. Further, the Board cannot be sure it has accurate financial information to make decisions and gauge the Village's financial condition.

## **What Do We Recommend?**

The Board should:

1. Establish sufficient compensating controls, including periodically reviewing bank statements, cancelled check images and bank reconciliations prepared by the Clerk-Treasurer.
2. Annually audit, or retain a firm to audit, the Clerk-Treasurer's annual financial report and supporting records.

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<sup>1</sup> Refer to Appendix B for further information on our sample selection.

# Appendix A: Response From Village Officials

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## Village of Schaghticoke

Scott Rice, Mayor

Cheryl Jackson, Clerk

November 6, 2023

Gary G. Gifford, Chief of Municipal Audits  
One Broad Street Plaza  
Glens Falls, New York 12801

Dear Mr. Gifford:

This letter shall serve as our response to the Village of Schaghticoke Board Oversight Report of Examination 2023M-78, and will provide our Corrective Action Plan.

The Village Board has read the Village of Schaghticoke Board Oversight Report of Examination 2023M-78. We are in agreement with your findings and the following responses represent our Corrective Action Plan specific to the findings:

1. The Board of Trustees for the Village of Schaghticoke will adopt at its November 6, 2023 meeting oversight procedures to compensate for the Clerk-Treasurer performing all functions of the financial and recordkeeping duties. The controls will include periodic review of bank statements, cancelled check images and bank reconciliations as prepared by the Clerk-Treasurer.
2. The Board of Trustees for the Village of Schaghticoke will discuss options for procuring an annual audit of Clerk-Treasurers records. We will begin with an audit for the fiscal year ending May 31, 2022 and will arrange annual audits thereafter.

This examination was very helpful for the Village of Schaghticoke. We would like to thank the Comptroller's Office for their time to review our practice and their recommendation of pragmatic solutions.

Sincerely,

 Scott Rice, Mayor

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Village of Schaghticoke • P.O. Box 187 • Schaghticoke, NY 12154 • (518) 753-6100 • Fax (518) 753-7441

## 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 reviewed Board meeting minutes, Village policies and procedures and interviewed officials to gain an understanding of the Board's oversight of financial operations and to determine whether the Board adequately segregated the Clerk-Treasurer's duties and performed or caused an annual audit of the Clerk-Treasurer's annual financial report and supporting records for 2022.
- We used our professional judgment to select nine months during the audit period (July 2021, August 2021, November 2021, February 2022, May 2022, June 2022, July 2022, October 2022 and January 2023) to determine whether the Board received complete and accurate monthly financial reports. We selected months from each quarter to include various revenues and expenditures.
- We interviewed officials and employees and reviewed budgetary status reports to determine whether budgetary accounts were over expended at year end and budget variances were addressed in a timely manner with budget adjustments authorized throughout the year.
- We used our professional judgment to select nine months' bank statements and reconciliations to determine whether bank reconciliations are accurate, prepared in a timely manner, independently reviewed, and whether reconciled bank balances agree with the accounting records. We selected June 2021, July 2021, October 2021, January 2022, May 2022, June 2022, July 2022, October 2022 and January 2023 to include months from each quarter and provide trend information from year to year.
- We selected 30 claims to review and determine whether claims were audited and approved by the Board before payment. We randomly selected 20 claims totaling \$20,039 and used our professional judgment to select 10 claims totaling \$226,098 from the 377 claims totaling \$899,405 paid during the audit period based on payment dates, payees, amounts and payment methods.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

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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 size of the relevant population 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 Clerk's office.



## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/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/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
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[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

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