

Village of Bloomingburg

Financial Operations

APRIL 2020



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

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Report Highlights

Village of Bloomingburg

Audit Objective

Determine whether the Board provided adequate oversight over financial operations and whether the Treasurer prepared financial records and filed reports.

Key Findings

- The Board did not adequately oversee the Treasurer's work or require annual audits of the Treasurer's records and reports.
- The Treasurer did not provide regular financial reports to the Board or maintain adequate accounting records.
- The Treasurer did not file Annual Update Documents (AUDs), which are the annual financial reports, with the Office of the State Comptroller (OSC) or the Board in a timely manner.

Key Recommendations

- Provide adequate oversight and require the Treasurer to provide regular financial reports, such as budget-to-actual reports and bank reconciliations with canceled check images, and maintain adequate accounting records.
- Annually audit the Treasurer's records and reports.
- Ensure AUDs are filed timely.

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

Background

The Village of Bloomingburg (Village) is located in the Town of Mamakating in Sullivan County. The Village is governed by an elected Board of Trustees (Board), which is composed of a Mayor and two Trustees.

The Board is responsible for the general oversight and control of financial operations. The Mayor is the Village's chief executive officer responsible for its day-to-day management. The Treasurer is the chief fiscal officer and is responsible for financial recording and reporting. The Village contracts with a Certified Public Accountant firm (CPA firm) to process payroll, submit the Village's AUD and provide general consulting services.

Quick Facts

Population	413
2018-19 General Fund Appropriations	\$323,000
2018-19 Sewer Fund Appropriations	\$316,000

Audit Period

June 1, 2017 – May 31, 2019. We extended our audit period back to June 1, 2013 to analyze AUD filings.

Financial Operations

What is Adequate Oversight Over Financial Operations?

A board is responsible for overseeing village financial affairs and safeguarding resources. This includes establishing internal controls to provide reasonable assurance that cash and other resources are safeguarded, transactions are authorized and recorded and financial reports are accurate, reliable and filed timely.

A board should segregate duties so that one employee does not control all phases of a transaction. If limited resources make it difficult to segregate duties, village officials should implement compensating controls, such as requiring the Treasurer to provide regular budget-to-actual reports, bank reconciliations and bank statements with canceled check images to the Board. Bank reconciliations¹ should be completed monthly and reviewed by someone independent of the process. Any discrepancies between adjusted bank balances and recorded cash balances should be promptly investigated and corrected.

New York State Village Law (Village Law)² requires the board to annually audit, or have a village officer, employee, or an independent public accountant audit, the treasurer's annual financial report and supporting records. An annual audit serves as a control over cash receipts and disbursements by providing independent verification that transactions have been recorded and cash is accounted for.

The treasurer is responsible for maintaining accurate and complete accounting records for each fund,³ reconciling bank accounts and providing periodic financial reports to the board. Accounting records and reports provide for a basis of checks and balances and determining whether village funds are accounted for. New York State General Municipal Law (GML)⁴ requires the treasurer to file the village's AUD with OSC within 60 days after the close of the fiscal year.⁵ This report provides the board, OSC and village taxpayers with a tool for monitoring financial operations.

The Board Could Improve Oversight Over Financial Operations

The Board did not segregate the Treasurer's duties or ensure compensating controls were in place to oversee her work. The Treasurer controls most aspects of receiving and disbursing cash, maintaining accounting records and reconciling

¹ Refer to Appendix A of our publication titled *The Practice of Internal Controls* for a guidance on preparing bank reconciliations: <https://osc.state.ny.us/localgov/pubs/lgmg/practiceinternalcontrols.pdf>

² Village Law Section 4-408

³ Refer to our publication titled *Accounting and Reporting Manual* for guidance on fund accounting: <https://osc.state.ny.us/localgov/pubs/arm.pdf>.

⁴ GML Section 30

⁵ The 60-day filing requirement applies to villages with a population less than 5,000. The treasurer may request a 60-day extension from OSC.

bank statements to book balances. While some of her duties could be shared with other Village officials, the Board has not implemented compensating controls, such as requiring the receipt of budget-to-actual reports, bank reconciliations, bank statements with canceled check images or other financial records or reports, because it was unaware of the importance of such oversight.

We reviewed 24 receipts totaling \$282,265 and found that, with the exception of minor deficiencies discussed with Village officials, the receipts were properly accounted for and deposited into Village bank accounts. Additionally, we reviewed 96 disbursements totaling \$52,702 and found that, with the exception of minor deficiencies discussed with Village officials, the disbursements were properly supported and for legitimate Village expenditures.

Although we did not identify any significant discrepancies during our audit testing, a lack of segregation of duties without compensating controls increases the risk that errors and irregularities could occur without detection.

The Board Did Not Conduct Annual Audits of the Treasurer's Records

The Board has not audited, or caused to be audited, the Treasurer's records for 2016-17 or 2017-18 because it was unaware of the legal requirement to do so. Prior to 2016-17, the Board engaged a CPA firm to perform an annual audit, but it has ceased this practice as a cost-saving measure.

Because annual audits were not performed, there is no independent verification that transactions have been properly recorded and cash has been properly accounted for. Further, the Board cannot be certain that the financial records and reports contain reliable information on which to base financial decisions.

The Treasurer Needs to Improve Recordkeeping and File Timely Reports

We identified various recordkeeping deficiencies which impacted the Treasurer's ability to provide the Board with timely and accurate financial reports. For example, the Treasurer recorded transactions in the financial accounting software that did not have a specific fund (i.e., general fund, sewer fund, etc.) assigned to it; the Treasurer recorded certain revenues earned in one fund as increases to cash in a different fund; and the Treasurer recorded certain personal service (i.e., payroll) expenditures as contractual expenditures. Although the Treasurer told us she performed monthly bank reconciliations, she only provided documentation of her reconciliations for two of the Village's four checking accounts. In addition, the documentation did not clearly or sufficiently verify that the Village's bank and book balances were reconciled. For example, the Treasurer's documentation did not identify bank balances versus book balances or label the various adjusting dollar amounts listed. The bank reconciliations and recordkeeping were insufficient

because of the Treasurer's lack of experience, guidance and training. To ensure that the balances properly reconciled, we successfully reconciled the Village's adjusted bank balances to the adjusted book balances for all six Village bank accounts for the month ending February 28, 2019.

The Treasurer has not submitted an AUD with OSC since 2015-16. The Village contracted with a CPA firm to perform this service, but miscommunication between the firm and the Treasurer led Village officials to believe that the AUDs had been completed and submitted. Additionally, the Village has historically filed the AUD late, with the 2013-14, 2014-15 and 2015-16 AUDs being filed 137, 154 and 564 days late, respectively. The failure to file the AUD in a timely manner reduces transparency and could affect the Village's ability to obtain credit for future projects.

In addition to not providing the Board and OSC with timely year-end financial reports, the Treasurer also did not provide the Board with budget-to-actual reports, bank reconciliations, bank statements with canceled check images or other financial records or reports as previously discussed. As a result of not receiving complete and timely financial information, the Board's ability to oversee financial operations and make sound financial decisions was limited.

What Do We Recommend?

The Board should:

1. Segregate the Treasurer's duties or implement compensating controls; for example, require the Treasurer to provide budget-to-actual reports, bank reconciliations and bank statements with canceled check images. The reconciliations should be reviewed by someone independent of the process to ensure accuracy and completeness.
2. Annually audit the Treasurer's records and reports.
3. Require the Treasurer to maintain adequate financial records.

The Treasurer should:

4. Provide the Board with regular detailed financial reports, such as budget-to-actual reports, bank reconciliations and bank statements with canceled check images.
5. Maintain adequate financial records and perform complete, detailed bank reconciliations.
6. Ensure AUDs are filed timely.

Appendix A: Response From Village Officials

**Village of Bloomingburg
13 North Street, PO Box 341
Bloomingburg NY 12721
845-733-1400**

March 12, 2020

Office of the New York State Comptroller
Division of Local Government
110 State Street, 12th Floor
Albany NY 12236

RE: Examination report

Dear Sir/Madam:

This letter shall serve as our response concerning the audit findings, which we generally agree with and shall also serve as the corrective action plan (CAP).

With respect to what the Board could do to improve oversight over financial operations:

*We have now segregated some of the treasurer's duties with three separate people working in the Village Hall.

*The Board also implemented where the treasurer now provides monthly bank statements with balances.

*The Board also receives cancelled checks, which are now being checked by the Board on a monthly basis against the abstracts.

*Starting the new fiscal year, June 2020, the treasurer will be providing a budget to actual reports.

With respect to the Board not conducting annual audits of the treasurer's records:

*With all the above new measures the Board will be doing an audit on a monthly basis, which would make the year end audit simplified.

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RE: Examination report

With regard to the treasurer needing to improve recordkeeping and filing timely reports:

*The treasurer is now working with our CPA, [REDACTED] on both recordkeeping and making sure all reports are filed in a timely manner.

Thank you for your time and consideration in this regard.

Sincerely,

Russell Wood, Jr.

Mayor – Village of Bloomingburg

Cc: [REDACTED]

Appendix B: Audit Methodology and Standards

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 Village officials and employees to gain an understanding of the Village's financial operations.
- We examined the Treasurer's duties to determine whether they were properly segregated.
- We used our professional judgment to select two months, based on the due dates for real property taxes (RPT) and sewer receipts (June 2017 and December 2018), to examine RPT, sewer and Village Clerk receipts and determine whether they were properly deposited. The sample included 16 RPT and sewer receipts (\$280,778) and eight Clerk receipts (\$1,487) for a total sample size of 24 receipts totaling \$282,265.
- We analyzed two of the 24 sampled receipts received from Village officials for building permits to determine whether they were charged the proper amount.
- To verify that disbursements were properly supported and for legitimate Village purposes, we randomly selected 72 checks totaling \$45,824 using periodic sampling and, based on risk, we used our professional judgment to select an additional 24 checks totaling \$6,879.
- We compared budgeted annual payroll amounts to actual paid amounts to determine the accuracy of the Village's payroll for 2017 and 2018.
- We examined the Board's resolutions and vendor contracts to determine whether the required annual audit of the Treasurer's records had been performed.
- We reviewed bank reconciliations from June 2017 through May 2019 to determine whether they were performed regularly and accurately.
- We reconciled the adjusted bank balances to adjusted book balances as of February 28, 2019, to determine whether there were any discrepancies.
- We examined the Board's resolutions, vendor contracts and report filing dates to determine whether officials were up-to-date on filing the AUD.
- We analyzed bank account balances to infer financial trends.
- We compared budgeted revenues and expenditures for the general fund to actual revenues and expenditures for 2017-18 and 2018-19 to determine the accuracy of the budgets.

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.

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 Village Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

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

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

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

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

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

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

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

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

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

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

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