

Town of Urbana

Supervisor's Financial Records and Reports

MAY 2022



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

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Report Highlights

Town of Urbana

Audit Objective

Determine whether the Town Supervisor (Supervisor) maintained complete, accurate and up-to-date accounting records and reports.

Key Findings

The Supervisor did not ensure that the Town's accounting records and reports were complete, accurate, up to date, reliable or timely. As a result, the Board's ability to monitor the Town's financial affairs, accurately assess the Town's financial condition and make sound financial decisions was compromised.

- The former and current Supervisors did not provide oversight of the bookkeepers and bank reconciliations were not performed. As a result, the current Supervisor and bookkeeper were unaware that two bank accounts existed and had \$710,000 on deposit.
- The Town Board (Board) has not received financial reports since January 2020 and the 15 submitted reports for 2018 and 2019 were inaccurate and untimely.
- Although an annual update document (AUD) is required to be filed each year, AUDs have not been filed with the New York State Office of the State Comptroller since 2013.

Key Recommendations

- Maintain accurate, complete and up-to-date accounting records and properly complete bank reconciliations.
- Provide accurate and timely financial reports to the Board and file AUDs timely.

Except as specified in Appendix A, Town officials generally agreed with our recommendations and indicated they would take corrective action. Appendix B includes our comment on an issue raised in the Town's response.

Background

The Town of Urbana (Town) is located in Steuben County and includes the Village of Hammondsport.

The Town is governed by an elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for overseeing the Town's operations and finances. The Supervisor is the chief financial officer.

The Board-appointed bookkeeper assists the Supervisor by maintaining accounting records, generating financial reports and developing the budget.

The Town's main operating funds are the general town-wide, general part-town and highway part-town.

Quick Facts

2021 Calculated Disbursements	\$2 million
2022 Budgeted Appropriations	\$2.5 million

Unfiled AUDs as of December 31, 2021

Year	Days Late
2014	2,497
2015	2,131
2016	1,766
2017	1,401
2018	1,036
2019	670
2020	305

Audit Period

January 1, 2018 – December 31, 2021

Financial Records and Reports

The current Supervisor was appointed on January 2, 2020 and re-elected to the two-year position in November 2020. The previous Supervisor's bookkeeper was reappointed to the position for 2020 and on a month-to-month basis in January 2021. During a special Board meeting on February 2, 2021, the Board appointed a new bookkeeper, effective immediately.

How Should the Supervisor Maintain Complete, Accurate and Timely Financial Records and Reports?

Town supervisors are responsible for maintaining accurate financial records that summarize the town's financial activities. The accounting records should document the assets, liabilities, fund balance and results of operations (revenues and expenditures) for each town fund. The town's financial data must be complete, accurate and up to date to be relevant and useful for managing town operations. The supervisor is responsible for the collection and custody of all money belonging to or due the town and paying board-approved claim vouchers per the town clerk's prepared abstracts (lists of audited claims).

The supervisor is also responsible for maintaining complete and accurate accounting records for each town fund. Each fund is a fiscal accounting entity with a self-balancing set of accounts. If a village is located within a town, the town must maintain separate funds to account for transactions that are required to be accounted for as part-town activities. Because the town's financial transactions affect different tax bases, the board must ensure that the town's financial activity is recorded in the proper funds to maintain equity among taxpayers.

If the supervisor assigns these financial duties to a bookkeeper, the supervisor must provide sufficient oversight by ensuring duties are properly segregated or that mitigating controls are in place. In addition, the supervisor must ensure the bookkeeper maintains suitable records, documents financial information accurately and timely, and provides useful financial reports to the board.

The supervisor should ensure all receipts and disbursements are properly recorded by reconciling bank account balances with the accounting records or reviewing reconciliations prepared by the bookkeeper. Monthly bank account reconciliations provide a way to identify, correct and document differences between the town's records and banking transactions. Any differences must be identified promptly and records adjusted to ensure that all financial activities are properly accounted for in a timely manner and cash is safeguarded.

Complete and accurate records allow the supervisor to provide monthly financial reports to the board to facilitate timely and prudent financial decisions. These reports should include a detailed accounting of all money received and disbursed and detailed year-to-date, budget-to-actual comparisons of revenues and expenditures for each fund. In addition, the supervisor is required by New York

The supervisor is also responsible for maintaining complete and accurate accounting records for each town fund.

State Town Law Section 123 to annually account to the board all money received and disbursed during the year by presenting his records and reports to the board for audit.

New York State General Municipal Law (GML), Section 30 requires the supervisor to file an annual update document (AUD) with the New York State Office of the State Comptroller (OSC) within 60 days of the end of the town's fiscal year. The AUD is a report of a town's financial position and results of operations. It is an important fiscal tool that provides the board with necessary information to monitor town operations and provides other interested parties with a summary of the town's financial activities.

The Supervisors' Financial Records and Reports Were Incomplete, Not Up To Date and Unreliable

Neither the current nor the former Supervisor ensured that their financial records and reports were complete, accurate, up to date or timely. The Supervisors delegated their financial responsibilities to the bookkeepers and did not provide adequate oversight. Both the current and former bookkeeper collected, recorded and deposited receipts and made online transfers between the Town's bank accounts without oversight. The bookkeepers also prepared the monthly claim vouchers and abstracts instead of the Town Clerk (Clerk), printed checks and recorded disbursements. The sequential numbering of claims and independent preparation of the abstract by the Clerk not only facilitates the identification of payments, but also strengthens the internal controls in the claims approval process. The former bookkeeper also inconsistently prepared monthly financial reports for the Board.

Accounting Records – We requested and reviewed available accounting records for the period January 1, 2018 through December 31, 2021 and found the former bookkeeper did not properly record all receipts and disbursements for 2018, 2019 and 2020 in the computerized accounting system. Further, the former bookkeeper erroneously recorded disbursements as cash receipts and did not record transactions in a timely manner. For example, the 2020 accounting records were almost entirely incomplete. In addition, the few transactions that were recorded contained significant errors, such as the duplicate recording of property tax revenues in each fund. Town officials stated the accounting records were incomplete and out of date because the former bookkeeper had health issues and struggled to just pay the bills and make deposits.

The current bookkeeper recorded 2021 receipts and disbursements but has not made any progress recording this information for 2020, which was during the previous bookkeeper's employment. We also found that the bookkeepers netted revenues and expenditures in the computerized accounting system, which misstated receipts and disbursements in the monthly reports to the Supervisor and Board, as it made the amounts appear much lower.

Neither the current nor the former Supervisor ensured that the financial records and reports were complete, accurate, up to date or timely.

Neither Supervisor reconciled the supporting documentation for the collections received and deposited to the receipts recorded in the computerized accounting system by the bookkeepers. The Supervisors also did not verify that the checks that cleared the bank or bank transfers were for appropriate purposes because they did not review canceled check images, bank transfers or the bank statements. Finally, the Supervisors did not ensure the bookkeepers performed regular bank reconciliations.

Because the Supervisors did not provide oversight of the bookkeepers, we reviewed and compared the receipts and transfers listed on the bank statements with the records and supporting documentation available. The current Supervisor and bookkeeper were unaware of the existence of two bank accounts with a total balance of approximately \$710,000. We identified the accounts by reviewing bank transfers. The accounts were at a depository separate from the one used for the Town's other accounts. Based on our review of the 2018 through 2021 bank statements, reviewed receipts were deposited, and all transfers were appropriate. However, we found the bookkeepers did not transfer sufficient funds between bank accounts for disbursements. As a result, there were 68 overdraft charges totaling \$2,720 during the audit period, which subsequently were refunded by the bank.

Although the Board audited claim vouchers each month and reviewed the abstracts inappropriately prepared by the bookkeepers instead of the Clerk, we found the bookkeepers did not prepare claim vouchers for all disbursements and did not list all claim vouchers on the abstracts presented to the Board for review and approval. For example, during the period January 1, 2018 through December 31, 2018, there were 702 disbursements totaling \$2 million according to the bank statements. However, the disbursements listed on the abstracts totaled \$1.4 million and \$1 million were listed on claim vouchers.

Figure 1 illustrates the Supervisors' incomplete and inaccurate accounting records and reports.

The current Supervisor and bookkeeper were unaware of the existence of two bank accounts with a total balance of approximately \$710,000.

Figure 1: Revenues and Expenditures

Year	Receipts			Disbursements			
	Bank Statements	Supervisors' Records	Supervisors' Monthly Reports	Bank Statements	Abstracts	Supervisors' Records	Supervisors' Monthly Reports
2018	\$1,955,559	\$2,007,515	\$1,711,139	\$2,053,023	\$1,402,330	\$1,930,695	\$1,911,166
2019	\$2,027,313	\$1,992,263	\$2,125,468	\$2,199,874	\$1,311,101	\$1,991,314	\$602,086
2020	\$2,253,292	*	*	\$2,041,195	\$2,211,319	*	*
2021	\$1,941,958	*	*	\$2,024,894	\$1,322,412	*	*

* No records or reports available

The failure to regularly reconcile adjusted bank balances to recorded cash balances prevents the timely detection of accounting errors and increases the risk that fraudulent transactions could occur and go undetected. This is especially important when separate bank accounts are not maintained for each operating fund because it is more difficult to ensure financial activity is properly accounted for in the correct fund. If the Supervisors reviewed the adjusted bank balances to the recorded cash balances, they would have been aware that the bookkeepers were not accurately and timely recording receipts and disbursements.

Finally, neither Supervisor annually accounted to the Board all money received and disbursed during the year by presenting records and reports to the Board for audit. Board members indicated that they trusted the former bookkeeper to perform all the financial duties appropriately.

Without an annual audit, officials are at risk of not being able to detect and correct errors, irregularities or fraudulent activity in a timely manner. In addition, the Board's ability to monitor financial operations is diminished.

Monthly and Annual Financial Reports – The former bookkeeper prepared monthly financial reports for the Board during 2018 and 2019 that included cash balances for each fund and a budget-to-actual report detailing year-to-date revenue and expenditure amounts compared to the adopted budget.

Our review of these monthly reports found that reports were not prepared for nine of the 24 months tested and nine of the 15 prepared reports were untimely. For example, the January 2018 report was not completed until July 2018. Further, because of issues already discussed, the reports that were provided to the Board were inaccurate and unreliable. For the period January 1, 2020 through December 21, 2021 the current Supervisor did not provide the Board with any financial reports.

In addition, neither Supervisor filed an AUD with OSC since 2013. For example, the 2014 AUD was due 60 days after the end of the calendar year and was 2,497 days late as of December 31, 2021 (Figure 2). The failure to properly and timely file AUDs hinders transparency and could hinder the public and other stakeholders' ability to monitor Town operations.

Because the Board did not have complete, accurate and timely financial information, the Board's ability to monitor the Town's financial affairs, accurately assess the Town's financial condition, and make sound financial decisions was compromised. This included ensuring each fund, and the separate pool of taxpayers it represents, was treated equitably.

Figure 2: Unfiled AUDs as of December 31, 2021

Year	Days Late
2014	2,497
2015	2,131
2016	1,766
2017	1,401
2018	1,036
2019	670
2020	305

We calculated the Town’s operating results for the last four years by using the bank statements’ receipts and disbursements in order to provide officials, the public and other stakeholders with certain financial information (Figure 3).

Figure 3: Combined Operating Results for All Funds:

	2018	2019	2020	2021
Revenues	\$1,955,558	\$2,027,312	\$2,253,292	\$1,966,768
Expenditures	\$2,053,023	\$2,199,874	\$2,041,195	\$2,024,894
Operating Surplus/(Deficit)	(\$97,465)	(\$172,562)	\$212,097	(\$58,126)

Although the Board-adopted budgets planned for operating deficits each year, actual operating results varied, which could be attributed to the lack of financial information. The Board continued these budgeting practices for 2022 by planning for a \$323,842 operating deficit.

Accurate and up-to-date financial information will be especially important in the coming months as the Town begins a capital project to construct a boardwalk and pier on the Town’s lakefront property with expected costs in excess of \$800,000.

What Do We Recommend?

The Supervisor should:

1. Provide adequate supervision to ensure the bookkeeper timely and completely records financial transactions and prepares bank reconciliations for his review.
2. Reconcile the supporting documentation for the collections received and deposited to the receipts recorded in the computerized accounting system by the bookkeeper.
3. Ensure the Board is provided accurate and timely financial reports each month, including reconciled cash balances by fund.
4. File the late AUDs and ensure future AUDs are filed in a timely manner.
5. Annually present monthly financial records and reports to the Board for audit.

The Town Clerk should:

6. Properly prepare claim vouchers.
7. Properly prepare and certify the abstract of audited claims.

Appendix A: Response From Town Officials



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April 22, 2022

Office of the State Comptroller
Division of Local Government and School Accountability
Edward V. Grand, Jr, Chief Examiner
110 State Street
Albany, NY 12236

Dear Mr. Grant,

Please accept this letter as our acknowledgement of receiving the Draft Audit Report for the Town of Urbana, titled Supervisor's Financial Records and Reports. Your findings along with the recommendations will assist the board in establishing procedures that will strengthen the internal controls of the Town. The Town will submit a Corrective Action Plan to include policy and procedures implemented within the recommendations outlined in the Audit.

Prior to receiving the report, the Town has already undertaken a number of steps to remedy the concerns identified. We would like to make it clear that the current bookkeeper was appointed to the position in February 2021, just four months prior the start of this audit, which began in July 2021. The statement that the current bookkeeper and current supervisor did not know about the funds in the other two bank accounts is inaccurate. They knew of the accounts, just not where the funds were supposed to be allocated. The current Supervisor was elected in January of 2020 and was aware there were problems, he was taking action by hiring a new bookkeeper to tackle the inadequacy of the bookkeeping.

See
Note 1
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The prior bookkeeper and prior Town Supervisor had not filed an AUD since 2013, it is not feasible to go back that far and recreate them. After discovering the AUD's had not been filed since 2013, the current bookkeeper and supervisor are working to rectify that. The prior bookkeeper had not been completing monthly reports or bank reconciliations to be reviewed by the board. The board is now receiving the reports monthly and they will do a yearly audit.

The Town Board appreciates the recommendations and will incorporate them into the corrective action plan to better serve the Town residents.

Sincerely,

Edward P. Stull
Supervisor

Appendix B: OSC Comment on the Town's Response

Note 1

While reviewing transfers between bank accounts, there were certain transfers we could not identify the destination of. Town officials were unaware of the destination bank accounts and could not provide an explanation of these transfers or provide bank statements and other documentation supporting them. At our request, the Supervisor contacted the Town's bank to obtain the information for these outside transfers and then contacted the second bank to obtain bank statements for our review.

Appendix C: 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 Town officials, and reviewed Board minutes and Board policies and procedures to obtain an understanding of the Town's policies and procedures.
- We reviewed the Supervisors' financial records and reports (e.g., cash receipt and disbursement journals, claim vouchers, abstracts, payroll reports and budget status reports) and compared them to bank statements and other third party supporting documents (e.g., Town Clerk and Justice monthly reports, New York State and Steuben County payments, property tax warrants, auction receipts and Justice Court Fund invoices) to determine whether the accounting records were accurate, complete and timely from January 1, 2018 through December 31, 2021.
- We compared revenues and expenditures from bank statements to adopted budget amounts for the years 2018-2021 to determine the operating results, total budget variances and the effect on fund balance. We also reviewed the 2022 budgeted revenues and appropriations for reasonableness.
- We reviewed all bank transfers for the period January 1, 2018 through December 31, 2021 to determine whether transfers out of Town bank accounts were accounted for.
- We reviewed bank statements for all Town bank accounts for all 48 months in our audit period to determine whether monthly reconciliations were being performed.
- We prepared bank reconciliations for all bank accounts at year end for 2018 through 2021.
- We reviewed all Supervisor's monthly financial reports to determine whether they were prepared and provided to the Board in a timely manner.
- We calculated the total number and amount of bank overdraft charges.
- We sent bank confirmations to all known Town depositories and local banks in the area to determine the number and amount of Town bank accounts.

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.

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 Town Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

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

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

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

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

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

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

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

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

Contact

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