

# Fiscal Oversight Responsibilities of the Governing Board

William D. Naylor, CIA, Auditor 2  
Division of Local Government and School Accountability



New York State Comptroller  
THOMAS P. DiNAPOLI

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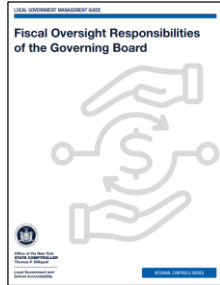
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## Learning Objectives

- Fiscal Responsibilities
- Fiscal Profile
- Developing Policies
- Budgeting Practices
- Monitoring Fiscal Operations
- Auditing the Claims
- Annual Audit Requirements
- Corrective Action Plans
- Additional Resources



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## What does Fiscal Accountability mean to a Governing Board?

- Being responsible for the general management and control of municipal finances.

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## Governing Board Responsibilities

- Set the tone – “Tone at the Top”
- Develop and review major policies
- Adopt and monitor the budget
- Use monthly reports to make budget modifications as necessary
- Ensure the audit of claims
- Meet annual audit requirements

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## Know Your Fiscal Profile

- Where does money come from?
- Where does it go?
- How fast are revenues and expenditures growing?
- In which categories?
- What are the trends?

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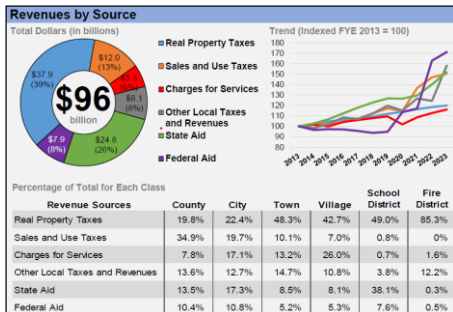
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## Revenues for Municipalities




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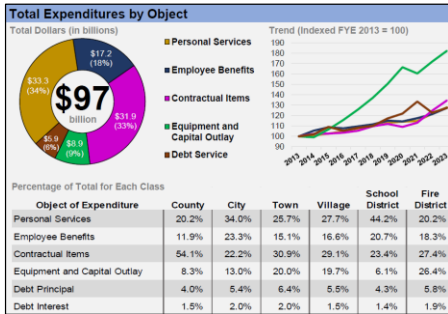
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# Expenditures for Municipalities




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# Developing Policies

- Develop and formally adopt policies that establish control procedures and other requirements for daily financial and other operations.
  - Customized to meet municipalities' needs
  - Reviewed periodically
  - Communicated and reinforced

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# Policies Required by Law

- Code of Ethics – General Municipal Law §806
- Deposits and Investments – General Municipal Law §39
- Procurement – General Municipal Law §104(b)
- Workplace Violence Prevention – Labor Law, Article 2 §27-b
- Sexual Harassment Prevention – Executive Law, Article 15
- Breach Notification – State Technology Law §208
- State Emergencies Involving Public Health – Labor Law §27-c

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## Other Policies for Operations

- Wire Transfer and Online Banking
- Travel and Conference
- Credit Card
- Computer Use
- Electronic Device/Cell Phone Use
- Capital Asset Control

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## Budget Practices

### Maintain an open budget process.

- Know your budget calendar deadlines.
- Identify the step-by-step procedures.
- Follow all statutory requirements.
  - Initial budget requests
  - Public hearings
  - Adoption of budgets
- Budgets should follow long-term plans.

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## Monitoring the Budget

- The Board needs to ensure that controls are in place by using:
  - A purchase order system or alternative method;
  - An encumbrance system; and
  - Budgetary reports.
- Understanding appropriations and the legal level of control

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## Modifying the Budget

- It is the Governing Board's responsibility to make budget modifications by **Board resolution**.
  - Transferring between appropriations
  - Appropriating available fund balance
  - Appropriating grants, insurance recoveries, gifts
  - Reduction of appropriations
- Significant revenue shortfalls may result in deficit financing.

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## Monitoring Fiscal Operations

- Interim reports should provide the board with timely information on such issues as:
  - Financial position,
  - Results of operations,
  - Budget status,
  - Policy compliance,
  - Service or project costs,
  - Performance measures, and
  - Legal compliance matters.

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## Monitoring Fiscal Operations

- Each adopted policy can and should address the timing and content of periodic reports so board members can exercise proper fiscal oversight.
- Using interim reports effectively may cause the need for budget modifications.

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## Monthly Reports

- The Governing Board should review:
  - A detailed statement of all money received and disbursed;
  - Budget status reports;
  - Cash flow statements; and
  - Any other reports deemed necessary.

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## Budget Status Reports

- Will assist the Board with:
  - Controlling expenditures;
  - Monitoring progress;
  - Identifying variances; and
  - Correcting identified problems.

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## Budget Status Reports

- Budgetary reports should be:
  - Completed for all major operating funds;
  - Prepared monthly;
  - Distributed to all department heads; and
  - Reviewed with department heads.

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CITY OF XYZ GENERAL FUND Budget-to-Actual Report for the 6 Months ended June 30						
(A) Revenues	(B) Actual Last Year 12 Months	(C) Current Budget 12 Months	(D) Actual To-Date 6 Months	(E) Current Variances D - C (Unfavorable)	(F) Projected for Year 12 Months	(G) Projected Variance F - C (Unfavorable)
Property Taxes	\$ 215,000	\$ 220,000	\$ 220,000	\$ 0	\$ 220,000	\$ 0
State Aid	310,000	325,000	175,000	(150,000)	350,000	25,000
User Charges	14,000	17,000	5,000	(8,000)	18,000	1,000
Departmental Income	27,000	30,000	17,000	(13,000)	35,000	5,000
Sales Tax	245,000	270,000	100,000	(170,000)	200,000	(70,000)
Federal Aid	17,000	25,000	10,000	(15,000)	17,000	(8,000)
Interfund Transfers	0	0	0	0	0	0
Other						
<b>Total Revenues</b>	<b>828,000</b>	<b>887,000</b>	<b>531,000</b>	<b>(356,000)</b>	<b>840,000</b>	<b>(47,000)</b>
<b>Expenditures</b>						
General Government	120,000	142,000	80,000	(62,000)	130,000	12,000
Public Safety	280,000	300,000	162,000	(138,000)	315,000	(15,000)
Health	17,000	19,000	7,000	(12,000)	15,000	4,000
Transportation	255,000	272,000	145,000	(127,000)	280,000	(8,000)
Economic Assistance	14,000	12,000	18,000	(8,000)	22,000	(10,000)
Home and Community	30,000	37,000	21,000	(16,000)	43,000	(8,000)
Employee Benefits	29,000	42,000	24,000	(18,000)	52,000	(10,000)
Debt Service	84,000	63,000	30,000	33,000	63,000	0
Other						
<b>Total Expenditures</b>	<b>\$ 836,000</b>	<b>\$ 887,000</b>	<b>\$ 487,000</b>	<b>\$ 400,000</b>	<b>\$ 900,000</b>	<b>\$ (13,000)</b>

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## Cash Flow Statements

- Help identify timing of revenues/ expenditures.
- Can assist the Governing Board with identifying potential cash problems and cash available for investing.
- The Board needs to ensure that available funds are invested in accordance with adopted investment policy and applicable laws.

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## Cash Flows – Major Revenue Sources

- Real Property Taxes, Sales Tax and Mortgage Recording Taxes
- General Purpose State Aid (AIM), CHIPS reimbursements (highway aid) and other State and Federal Aid programs for Education, Social Services, Health Services and Transportation
- Charges for services and user fees
- Intergovernmental charges

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ESTIMATED RECEIPTS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
Real Property Taxes	\$430,000	\$300,000	\$45,000										\$775,000
Non-Property Taxes				\$28,750			\$27,000		\$ 20,000			\$130,250	\$218,000
Departmental Income	\$4,000	\$4,000	\$4,000	\$4,100	\$4,200	\$4,200	\$4,300	\$4,100	\$4,000	\$4,200	\$4,400	\$4,500	\$50,000
State Aid			\$60,000			\$6,000	\$68,000		\$58,000			\$8,000	\$260,000
Federal Aid					\$3,500						\$3,200		\$6,700
Short-Term Borrowings								\$100,000					\$100,000
All Other	\$3,800	\$5,200	\$4,600	\$4,900	\$4,600	\$4,700	\$4,500	\$4,600	\$4,500	\$4,600	\$4,600	\$4,400	\$55,000
<b>Total Estimated Receipts</b>	<b>\$437,800</b>	<b>\$308,200</b>	<b>\$63,600</b>	<b>\$97,750</b>	<b>\$13,300</b>	<b>\$14,900</b>	<b>\$103,800</b>	<b>\$6,700</b>	<b>\$167,500</b>	<b>\$41,000</b>	<b>\$17,000</b>	<b>\$242,450</b>	<b>\$1,598,000</b>
<b>ESTIMATED DISBURSEMENTS</b>													
Payrolls	\$41,800	\$41,800	\$41,800	\$41,800	\$41,700	\$41,800	\$41,800	\$41,700	\$41,800	\$41,800	\$41,800	\$41,500	\$500,000
Employee Benefits	\$14,700	\$14,800	\$14,800	\$14,800	\$14,600	\$14,700	\$14,700	\$14,700	\$14,600	\$14,600	\$14,400	\$14,300	\$175,000
Debt Service				\$129,000					\$27,000				\$156,000
Short-Term Borrowing Repaid												\$100,000	\$100,000
All Other	\$43,000	\$42,000	\$63,000	\$40,000	\$40,000	\$45,000	\$41,000	\$43,000	\$43,000	\$43,000	\$41,000	\$41,000	\$625,000
<b>Total Estimated Disbursements</b>	<b>\$99,500</b>	<b>\$98,200</b>	<b>\$119,200</b>	<b>\$96,200</b>	<b>\$225,300</b>	<b>\$101,500</b>	<b>\$97,500</b>	<b>\$96,500</b>	<b>\$96,300</b>	<b>\$126,100</b>	<b>\$96,900</b>	<b>\$196,800</b>	<b>\$1,456,000</b>
Cash Balance Changes	\$338,300	\$210,000	(\$55,600)	\$1,550	(\$214,000)	(\$88,600)	\$6,300	(\$90,800)	\$68,200	(\$85,100)	(\$79,900)	\$45,650	\$48,000
Estimated Closing Cash Balance	\$407,300	\$616,300	\$562,700	\$554,300	\$340,300	\$253,700	\$290,000	\$189,200	\$237,400	\$152,300	\$ 72,400	\$118,050	\$118,050
Beginning Cash Balance 10/1/19	\$99,000												\$99,000
	Ending Cash Balance 12/31/19											\$118,050	

**LGMC: Investing and Protecting Public Funds**

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## Other Special Purpose Reports

- Construction
- Procurement
- Personnel
- Receivables
- Other reports

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## Auditing the Claims

- Why audit claims?
- Legal requirements
  - County Law Section 369
  - City Charter
  - Town Law Sections 119, 176(4-a)
  - Village Law Section 5-524
  - Education Law Sections 1724, 2524

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## Auditing the Claims

- Why audit claims?
- To ensure that:
  - Claims are for valid and legal purposes;
  - Claims are incurred by authorized officials;
  - Goods are received/services are rendered;
  - Appropriations are available; and
  - Proper documentation exists.

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## Annual Audit Requirements

### Appendix B

- Why do an annual audit?
- Legal requirements
  - Town Law Sections 123, or 34[1] (if Comptroller)
  - Town Law Section 177 (Fire Districts)
  - County Law Section 210
  - Village Law Section 4-408(e)
  - City Charter and/or enacted local legislation
  - Unified Justice Court Act, Section 2019-a

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## Annual Audit Requirements

### External Audit Requirements

- School Districts and BOCES
  - Education Law Section 2116-a(3)(a) and 8NYCRR Sections 170.12(e)(1) and 170.3(a) require that all school districts, except those employing fewer than eight teachers, obtain an annual independent audit by an outside CPA or PA.
- Fire Districts
  - Town Law Section 181-b requires an annual audit by an independent CPA or an independent PA if the district has revenues of \$400,000 or more.

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# Annual Audit Requirements

## External Audit Requirements

- Length of Service Award Programs (LOSAPs)
  - General Municipal Law Section 219-a requires the sponsor or designated program administrator of a LOSAP to obtain an annual audit of its records by an independent CPA or an independent PA.
- Single Audit Requirements
  - A local government that expends \$500,000 (\$750,000 for fiscal years beginning on or after January 1, 2015) or more in federally awarded funds in its fiscal year is required to have an audit, conducted by an external auditor, in accordance with the provisions of the federal Single Audit Act and the reporting and filing requirements of the federal Office of Management and Budget Circular A 133.

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# Annual Audit Requirements

- Why do an annual audit?
  - Provides oversight
  - Ensures proper handling of public money
  - Identifies improvement opportunities
  - Provides forum to express concerns

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# Audit Objectives

- Records are complete and up-to-date
- Transactions are properly recorded
- Accountability is computed monthly
- Required reports are timely and accurate
- Financial results are known

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## How to Begin?

- Understand operations.
- Visit properties and points of cash collections.
- Learn what records are maintained.
- Learn what reports are produced.
- Use the OSC checklists (appendices).

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## What Will You Need?

- Bank account reconciliations
- Cash receipts and supporting records
- Cash disbursements and supporting records
- Annual and interim financial reports
- Inventories
- Investment records
- Payrolls and supporting records
- Other pertinent financial information

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## Review of Chief Fiscal Officer's Records Appendix C

Cash Receipts	YES	NO
Is the cash receipts journal up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Is the cash receipts journal maintained in a manner that identifies the date received, payee, purpose and the amount either individually or totals referenced to subsidiary receipt records (e.g., utility receipts register)?	<input type="checkbox"/>	<input type="checkbox"/>
Are un-deposited cash receipts safeguarded?	<input type="checkbox"/>	<input type="checkbox"/>
Are duplicate deposit slips kept?	<input type="checkbox"/>	<input type="checkbox"/>
Do deposit amounts agree with cash receipt amounts?	<input type="checkbox"/>	<input type="checkbox"/>
Are deposits made timely and recorded up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Last Recorded Deposit: Date _____ Amount _____		
Is the cash receipts journal totaled and summarized monthly?	<input type="checkbox"/>	<input type="checkbox"/>
Cash Disbursements	YES	NO
Is the cash disbursements journal up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Is the cash disbursements journal maintained in a manner to identify amounts disbursed either individually or totals referenced to abstracts or journals?	<input type="checkbox"/>	<input type="checkbox"/>
Are pre-numbered checks used for all disbursements (other than petty cash)?	<input type="checkbox"/>	<input type="checkbox"/>
Are all checks signed by the chief fiscal officer and co-signed if required?	<input type="checkbox"/>	<input type="checkbox"/>
If checks are signed electronically, is the signature stamp or software in the custody and control of the chief fiscal officer?	<input type="checkbox"/>	<input type="checkbox"/>
Are canceled checks or check images returned with bank statements and maintained on file?	<input type="checkbox"/>	<input type="checkbox"/>
Are all unused checks properly controlled (blank check stock)?	<input type="checkbox"/>	<input type="checkbox"/>
Are checks recorded up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Last Recorded Check: # _____ Date _____ Amount _____		
Is the cash disbursements journal totaled and summarized monthly?	<input type="checkbox"/>	<input type="checkbox"/>
Are payments supported by appropriate documentation? Consider comparing a sample of disbursements with supporting documentation.	<input type="checkbox"/>	<input type="checkbox"/>

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## Review of Chief Fiscal Officer's Records Appendix C

Cash Reconciliations	YES	NO
Are bank accounts reconciled? By Whom? _____ How Often? _____ Who Reconcils/Verifies Them? _____	<input type="checkbox"/>	<input type="checkbox"/>
Is the bank reconciliation performed by a person whose job duties do not include maintaining either the cash receipts or disbursements journals or receiving or disbursing cash?	<input type="checkbox"/>	<input type="checkbox"/>
Is the bank reconciliation performed timely after the bank statement is received?	<input type="checkbox"/>	<input type="checkbox"/>
Last Bank Reconciliation for Each Bank Account		
Bank Account	Date Performed	Month Ending
Are reconciliations documented and available for review?	<input type="checkbox"/>	<input type="checkbox"/>
Does the reconciled bank balance agree with the cash balance recorded in the accounting records?	<input type="checkbox"/>	<input type="checkbox"/>
Receivables		
Are receivable control accounts maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Is there indication that the receivable control accounts are reconciled to the detail subsidiary records?	<input type="checkbox"/>	<input type="checkbox"/>
Investment Records		
Is an investment record maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Is the record complete and up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Deposit Protection		
Has the bank provided adequate, eligible securities to protect deposits and investments under the custody of the chief fiscal officer that secure FDIC insurance protection?	<input type="checkbox"/>	<input type="checkbox"/>

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## Review of Chief Fiscal Officer's Records Appendix C

Indebtedness Records <i>(This record is maintained by the clerk in certain local governments)</i>	YES	NO
Is an indebtedness register maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Is the register complete and up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Property Records		
Are property records maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Are the records up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Are all fixed assets included in the records?	<input type="checkbox"/>	<input type="checkbox"/>
Are physical inventories taken and compared to the records?	<input type="checkbox"/>	<input type="checkbox"/>
Financial Reporting		
Are interim reports (budget/actual; trial balance, etc.) prepared?	<input type="checkbox"/>	<input type="checkbox"/>
Are the reports distributed to the governing board and department heads?	<input type="checkbox"/>	<input type="checkbox"/>
Does total year-end recorded cash agree with that reported in the annual financial report?	<input type="checkbox"/>	<input type="checkbox"/>
Payroll		
Are payrolls certified/approved by the appropriate official?	<input type="checkbox"/>	<input type="checkbox"/>
Are pay rates in accordance with collective bargaining agreements and other lawful employment contracts, or board resolutions?	<input type="checkbox"/>	<input type="checkbox"/>
Is leave time accounted for?	<input type="checkbox"/>	<input type="checkbox"/>
Comments and Conclusions		

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## Corrective Action Plans (CAPs)

- CAPs provide an opportunity for the Governing Board to communicate how audit findings and recommendations will be used positively to improve operations and internal controls.
- The Governing Board's oversight of the CAP process is important because it sends a positive message to the public and to employees about the "tone at the top" regarding the Board's commitment to safeguarding assets and making government operations more effective.

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## Audit Concerns

- Discuss them with the officer/department head whose claims/records are being audited.
- If concerns still exist, contact OSC:
  - Regional Office
  - [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)
  - OSC Fraud Hotline
    - 1-888-672-4555 weekdays, 9:00 a.m. to 5:00 p.m.
    - [investigations@osc.ny.gov](mailto:investigations@osc.ny.gov)

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## Additional Resources

### Appendix A

- Policies
  - [Seeking Competition in Procurement](#)
  - [Investing and Protecting Public Funds](#)
  - [Code of Ethics](#)
  - [Data Breach Notification](#)
- Budgeting
  - [Understanding the Budget Process](#)
- Audit Requirements
  - [Improving the Effectiveness of Claims Auditing Process](#)
  - [Responding to an OSC Audit Report](#)

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## Questions?

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[localtraining@osc.ny.gov](mailto:localtraining@osc.ny.gov)



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