



Town of Bergen

Town Supervisor

2024M-30 | June 2024

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Report Highlights

Town of Bergen

Audit Objective

Determine whether the Town of Bergen (Town) Supervisor maintained complete and accurate accounting records, provided accurate and timely financial information to the Town Board (Board), and filed the annual financial report (AFR) in a timely manner.

Key Findings

The Supervisor generally maintained complete and accurate accounting records but needs to provide more oversight over the individuals carrying out his recordkeeping duties. Furthermore, the Supervisor did not annually submit sufficient accounting records to the Board for audit and while he filed the AFR in a timely manner, it was not accurate. The Supervisor:

- Approved bank reconciliations without determining whether they were performed correctly and without verifying that cash balances in the accounting records were accurate.
- Overstated cash by \$747,000 in the 2022 AFR.
- Did not perform a periodic review of all journal entries and financial transactions as required by the Town’s policy. Therefore, the Accountant recorded financial transactions without oversight.
- Did not obtain timely reimbursement of \$130,000 in payroll expenditures from the Byron-Bergen Library (Library).

Key Recommendations

- Annually provide sufficient accounting records to the Board for audit.
- Compare accounting records with monthly bank reconciliations.
- Obtain timely reimbursement for Library payroll expenditures.

Town officials disagreed with certain aspects of our findings; however, they generally agreed with our recommendations and indicated they have taken corrective action. Appendix B includes our comments on issues raised in the Town’s response.

Audit Period

January 1, 2022 – December 22, 2023

Background

The Town, located in Genesee County, is governed by five elected Board members including the Supervisor. The Board is responsible for the general oversight of Town operations and finances.

The Supervisor is the chief fiscal officer and is responsible for the Town’s daily administrative and financial duties and providing the Board with timely and accurate financial information.

The Town contracts with the Village of Bergen for a bookkeeper to assist the Supervisor with his recordkeeping and payroll processing responsibilities. The Town also contracts with an accounting firm (Accountant) to prepare bank reconciliations and provide accounting services and support.

Quick Facts

2024 Appropriations	\$2.5 million
Number of Employees	26
Bookkeeping & Payroll Processing Services	\$7,500
Accountant	\$16,000

Town Supervisor

What Are Complete, Accurate and Timely Financial Records and Reports?

A town supervisor (supervisor) is responsible for maintaining financial records that are complete and accurate so they are relevant and useful for town board (board) members to properly manage town operations. The supervisor should ensure the accounting records document all assets, liabilities, fund balance and results of operations (revenues and expenditures) of each town fund. If a bookkeeper is appointed to assist the supervisor in fulfilling their financial duties, the supervisor remains responsible for these functions and should provide sufficient oversight to ensure the bookkeeper maintains adequate records, documents financial activity accurately, provides useful reports to the board and prepares and files annual financial reports as required.

The supervisor should ensure accounting records are complete, and that all receipts and disbursements are accurately recorded by reconciling bank account balances with the accounting records. Monthly bank account reconciliations provide a way to identify, correct and document differences between the town's accounting records and banking transactions. Any differences must be promptly identified and investigated to ensure that all financial activities are properly accounted for in a timely manner and cash is safeguarded. The Town's cash management policy (policy) requires a comparison of monthly bank reconciliations with the accounting records¹ and designates that these records be reviewed by someone other than the person who prepared them. The policy also requires a periodic supervisory review of all journal entries and financial transactions. When journal entries are entered by another individual such as a bookkeeper, the supervisor should ensure that the journal entries are appropriate (necessary) and supported. Supervisory review of journal entries helps ensure that the accounting records are complete and accurate.

Pursuant to New York State Town Law Section 123, the supervisor must also submit all pertinent books and records to the board for audit on or before January 20 for all money received and disbursed during the preceding year. The annual accounting helps the board fulfill its overall fiscal oversight responsibilities by providing the board with an opportunity to conduct an audit to assess the reliability of the books, records and supporting documents. This requirement does not apply if a public accountant is hired prior to January 20 to complete an audit within 60 days after the close of the fiscal year. Additionally, pursuant to New York State General Municipal Law Section 30, the supervisor is required to file an AFR with our office, within 60 days of the end of the fiscal year, to report the town's financial position and results of operations. This is an important fiscal tool that can provide

¹ The policy specifies "general ledger cash accounts" which we will refer to as accounting records for the purposes of this report.

the board with necessary information to monitor town operations and provide taxpayers and other interested parties with a summary of the town's financial activities.

The Supervisor Maintained Complete and Accurate Accounting Records but Needs to Improve Oversight

The Supervisor generally maintained complete and accurate accounting records, but the Supervisor did not ensure that proper bank reconciliations and comparisons were performed and reviewed as required by the Town's policy. Properly prepared and reviewed bank reconciliations can help officials to identify errors and financial irregularities.

Additionally, the Supervisor did not provide sufficient oversight over the individuals carrying out his recordkeeping duties. The Supervisor relied on the Accountant and a bookkeeper to handle the day-to-day accounting activities and did not provide sufficient oversight. Regardless of delegating his duties to others, the Supervisor remains the chief financial officer and is responsible for ensuring the Town maintains accurate, complete and timely accounting records.

Inadequate Bank Reconciliations – The Accountant prepared monthly bank reconciliations, but the Supervisor did not adequately review these reconciliations to ensure they were performed correctly or to verify that cash balances in the accounting records were accurate. The Supervisor and his Secretary stated that they reviewed and approved the reconciliations after comparing deposits with receipt records, check images with vouchers, and verifying transfers between bank accounts. However, they did not compare reconciled bank balances to recorded cash balances in the accounting records, a critical step in the bank reconciliation process. Instead, the Supervisor compared the Accountant's bank reconciliation with the Accountant's spreadsheet showing reconciled cash balances. Because the spreadsheet is a separate document from the Town's accounting records, it is an inappropriate way to reconcile the bank account and the Supervisor did not adhere to the Town's policy of comparing the bank reconciliations to the accounting records.

No Review of Journal Entries – The Supervisor did not perform a periodic review of all journal entries and financial transactions as required by the Town's policy. Therefore, the Accountant recorded financial transactions without oversight. We reviewed all journal entries made in 2022 and found that they were supported and appropriate. However, without adequate oversight and a proper review of journal entries, the Supervisor cannot ensure that accounting records are complete and accurate. For instance, the Supervisor is the Treasurer for the Library, and because four Library employees were paid through the Town's payroll, the Supervisor was responsible for reimbursing the Town for the salaries paid to the Library employees. Since the Town had access to the Library's bank accounts,

this reimbursement was made via bank transfer and recorded in the accounting records using a journal entry. However, the Supervisor, who acts as the custodian of the Library funds, was not aware that the Library had not reimbursed the Town in a timely manner. The Supervisor did not provide proper oversight, as he relied on the bookkeeper to make these transfers (at the direction of the Accountant) and on the Accountant to record the journal entries. As such, 2021 and 2022 Library payroll expenditures, totaling nearly \$130,000, were not reimbursed to the Town until March 2023. Had the Supervisor periodically reviewed and approved journal entries, he might have become aware of the delayed reimbursement.

When we discussed these concerns, the Supervisor and his Secretary stated that it was difficult obtaining financial information (e.g., trial balances, general ledgers, and journal entries) from the Accountant, which made it difficult to monitor the Town's financial activity. The contract with the Accountant indicates that the Accountant will provide monthly budget-to-actual reports, but does not specify general ledgers or other reports. The Supervisor and his Secretary both confirmed that they had access to the accounting software but have not used it since 2021 because the program was not user friendly. However, the contract with the Accountant included providing ongoing support and training for the accounting system. Regardless of delegating his duties to others, the Supervisor remains the chief financial officer and is responsible for ensuring the Town maintains accurate, complete and timely accounting records. The lack of timely and accurate financial information could diminish the Board's ability to effectively monitor Town financial operations.

The Supervisor Did Not Submit All Required Records to the Board for Audit or An Accurate Annual Financial Report

The Supervisor did not submit all of the 2022 books and records to the Board for audit. While the Board hired a certified public accountant (CPA) for the purpose of auditing the Supervisor's records, the audit was not completed in a timely manner. The CPA's draft management letter for 2022, dated December 11, 2023, attributed the delay to the Town not having an annual audit in the past few years. Because the CPA audit would not be completed within 60 days after the close of the fiscal year, the Supervisor was required to submit books and records to the Board for audit.

The Supervisor provided the Board with the 2022 AFR and his monthly reports showing receipts, disbursements and cash balances, revenue and expenditure budgetary reports, abstracts of audited claims and vouchers. However, the Supervisor did not provide the Board with bank statements, general ledgers, check images, payroll records and other pertinent information that is required for the Board to conduct a proper annual audit. The Supervisor was unaware of the requirement to submit all his records to the Board and told us that he felt he

had complied with the statute and submitted sufficient information to the Board to complete the required audit. However, the information provided was not sufficient because without the bank statements, general ledgers, check images and payroll records, the Board did not have the ability to detect certain irregularities. For example, if Board members were provided with bank statements, they could confirm that deposit amounts agreed with cash receipt records. For guidance on conducting an annual audit and what records should be reviewed, the Supervisor and Board should refer to Appendix D of our publication entitled *Local Government Management Guide – Fiscal Oversight Responsibilities of the Governing Board*.²

The Accountant prepared and filed the Town's AFR timely but the 2022 AFR was not accurate. Although the Supervisor signed the AFR certifying its accuracy, cash reported was overstated by nearly \$747,000 in 2022. While the 2022 AFR reported a reconciled cash balance totaling \$1.2 million, the Supervisor's monthly report to the Board and the 2022 year-end bank reconciliation showed total reconciled cash of approximately \$481,000. The cash reported on the AFR improperly included \$747,000 as a deposit in transit even though the Town did not receive these funds until January 13, 2023. The deposit in transit was a reimbursement from the United States Department of Agriculture Rural Development for capital project related expenditures already paid using cash advanced from the general fund. Although the advance and reimbursement were recorded properly in the accounting records, the AFR did not properly reflect the Town's cash position at year-end.

What Do We Recommend?

The Supervisor should:

1. Annually provide sufficient accounting records and supporting documents to the Board for audit on or before January 20 or ensure a public accountant has been hired by January 20 to complete an audit within 60 days after the close of the fiscal year.
2. Maintain detailed and up-to-date accounting records that accurately reflect all Town financial transactions.
3. Compare monthly bank reconciliations with the accounting records and promptly investigate and resolve any discrepancies.
4. Make use of the ongoing support and training for the accounting system that is provided for in the Town's contract with the Accountant.

² <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

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5. Verify and submit an accurate AFR to the Office of the State Comptroller.
 6. Complete a supervisory review of all journal entries and financial transactions to ensure that they are appropriate, supported and timely.
 7. Obtain timely reimbursement for Library payroll expenditures.
 8. Attend applicable and beneficial training sessions to enable him to better understand and perform his financial duties. Training provided by the Office of the State Comptroller can be found at <https://www.osc.ny.gov/local-government/academy>.

Appendix A: Response From Town Officials

TOWN OF BERGEN

* ESTABLISHED APRIL 2, 1813 *

P.O. BOX 249
10 HUNTER STREET
BERGEN, NY 14416

PHONE: (585) 494-1121 * FAX: (585) 494-1372 * NYS TDD 1-800-662-1220

SUPERVISOR
ERNEST HAYWOOD

COUNCILPERSONS
BELINDA GRANT, DEPUTY SUPERVISOR
JAMES STAROWITZ
MARK SWANSON
KAREN E. ELY

SUPERINTENDENT OF HIGHWAYS
JOEL POCOCK

TOWN CLERK/TAX COLLECTOR
TERESA ROBINSON

JUSTICES
ROBERT SWAPCEINSKI
VINCENT PULCINI

ZONING & CODE ENFORCEMENT OFFICER
GERALD WOOD

ASSESSOR
RHONDA SAULSBURY



Date: 5/28/2024

Ms. Melissa Myers,
Chief of Municipal Audits
Office of the State Comptroller
295 Main Street
Buffalo, New York, 14203-2510

Dear Ms. Myers,

Please accept the following as the Town of Bergen's Audit Response Letter to Key Findings 2024-30.

- Approved bank reconciliations without determining if they were performed correctly and without verifying that cash balances in the account records were accurate.

The Town agrees with this finding to an extent. We would like to note that I as supervisor, verified the bank statement balances, deposits, and disbursements to the bank reconciliation provided by the Accounting Firm that serves as the Town Accountant. We believed this was sufficient.

- Overstated cash by \$747,000 in the 2022 AFR.

The Town believes the report is not complete regarding this finding. We did not realize that the expenses awarded for payment in December 2022 would overdraw the Water Capital Project account. Because we knew grant revenues in the amount of \$747,000 were being received early in January 2023, we felt the timing would be sufficient to cover the bills. The decision was made to record the \$747,000 as a deposit in transit because the State's reporting system would not allow a negative cash balance to be reported in the AFR. It should be also noted the checks to the contractors for this amount were not released until USDA provided the funding to cover the amount.

See
Note 1
Page 9

- Did not perform a periodic review of all journal entries and financial transactions as required by the Town's policy. Therefore, the Accountant recorded financial transactions without oversight.

The Town agrees with this finding.

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- Did not obtain timely reimbursement of \$130,000 in payroll expenditures from the Byron-Bergen Library (library).

The Town agrees with this finding. We would like to note that the financial records showed quarterly reimbursement. The Town had been working toward separating accounting with the library in anticipation of the library becoming their own legal entity separate from the Town. In the process the normal transactions to account for the reimbursements did not follow the change. Transfers are no longer an issue as the library became a separate entity on January 1, 2024.

See Note 2 Page 9

The Town has already taken action to correct these findings. Those actions will be explained in our Corrective Audit Plan. Thank you for your assistance in helping us to better understand the financial oversight requirements.

Sincerely,

Ernest Haywood, Supervisor

XC: Town Board Members

This institution is an equal opportunity provider, and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866)-632-9922 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 2050-9410 or by fax (202)690-7742 or e-mail program.intake@usda.gov.

Appendix B: OSC Comments on the Town's Response

Note 1

Town officials should ensure sufficient cash is available to cover payments before they prepare the checks and consider using the various temporary cash flow mechanisms available to them including temporary interfund advances or short-term debt instruments. In the Annual Financial Reporting system, cash must be recorded as a positive amount, and negative cash, if any, must be reported as 'Due to Financial Institution for Overdrawn Accounts'. If Town officials have questions regarding filing the Town's AFR, they should contact our office for assistance.

Note 2

While the Town's financial records included a liability for the quarterly reimbursements for Library payroll expenditures in 2021 and 2022, officials did not reimburse the Town for these expenditures until March 2023.

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials and the Accountant and bookkeeper and reviewed Board meeting minutes and policies to gain an understanding of the Town's financial and oversight practices.
- We reviewed bank reconciliations for the Town's six bank accounts for the fiscal year ending December 31, 2022 to determine whether the reconciled balances matched the cash balances recorded in the accounting records, AFR and monthly report to the Board.
- We reviewed the date the AFR was filed to determine whether it was made timely.
- We reviewed all 2022 journal entries to determine whether they were supported, appropriate, and approved.
- Using a random number generator, we randomly selected the months of September and October 2022 and traced various financial transactions between the bank statements, accounting records, and other supporting documentation to determine whether accounting records were accurate, complete and supported.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

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

<https://www.osc.ny.gov/local-government>

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

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