



Village of Catskill

Accounting Records and Reports

2024M-66 | September 2024

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Report Highlights

Village of Catskill

Audit Objective

Determine whether the Village of Catskill (Village) Clerk-Treasurer maintained complete and accurate accounting records and timely reports.

Key Findings

The Clerk-Treasurer did not maintain complete and accurate accounting records and did not provide timely, accurate or adequate reports to the Village Board (Board). As a result, the transparency of the Village's financial operations was reduced, and the risk that unauthorized or inappropriate transactions could occur and go undetected increased.

The Clerk-Treasurer made accounting errors totaling \$1.7 million and did not:

- Reconcile bank balances to the general ledger cash balances. As a result, there is a greater risk that errors and/or irregularities could occur.
- Properly account for three bank account balances totaling \$1.1 million at May 31, 2023 in the accounting records.
- Comply with New York State General Municipal Law Section 30 by filing all required Annual Financial Reports (AFRs) with the Office of the State Comptroller (OSC).

Further, the Board did not annually audit the Clerk-Treasurer's Records, as required by New York State Village Law 4-408 (e).

Key Recommendations

- Maintain proper financial records.
- File AFRs as required.
- Annually audit the Clerk-Treasurer's records as required.

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

Audit Period

June 1, 2022 – January 31, 2024. We expanded our audit period back to September 29, 2020, and forward to March 21, 2024, to review the AFR filing status.

Background

The Village, located in the Town of Catskill in Greene County, is governed by the elected five-member Board. The Board is responsible for the general oversight of the Village's operations and finances.

The Board President is the chief executive officer responsible for the Village's day-to-day management under the Board's direction, including the supervision of the Clerk-Treasurer's duties.

The Board-appointed Clerk-Treasurer is the chief financial officer responsible for receiving and disbursing funds, maintaining accounting records, and preparing monthly and annual accounting records. The former Clerk-Treasurer resigned on May 17, 2023. The current Clerk-Treasurer was appointed on June 14, 2023.

Quick Facts

2023-24 Appropriations: \$7.7 million

Late-Filed AFRs

Fiscal Year Ending May 31:	Date Filed	Days Late
2020	3/4/2021	156
2021	6/3/2022	247
2022	Not Filed	539
2023	Not Filed	234

Accounting Records and Reports

How Should a Village Clerk-Treasurer Maintain Records and Reports?

A village clerk-treasurer is responsible for maintaining complete and accurate financial records that summarize the village's financial activity. Complete accounting records should include a record of assets and liabilities, monetary transactions (collections and disbursements), ledgers, journals and supporting documentation such as records of receipts, checks and invoices for each village fund. These records should include an accounting of all operating fund bank accounts (i.e., bank accounts used for the depositing of collections and disbursing of funds). Monthly reconciliations of bank balances to the general ledger cash balances must be performed to help ensure all receipts and disbursements are properly recorded and provide a way to identify, correct and document differences between the village's records and bank transactions.

A village board should exercise sufficient oversight to ensure the clerk-treasurer maintains suitable records, documents financial information accurately and in a timely manner, and provides useful reports to the board. These reports should include a balance sheet and detailed budget-to-actual comparisons of revenue and expenditures, totaled by account code for each fund. The records and reports should also provide sufficient detail to ensure that revenues and expenditures, as budgeted and collected or expended are recognized and recorded in the proper fund.

The Clerk-Treasurer Did Not Maintain Accurate and Complete Accounting Records

The Clerk-Treasurer maintained incomplete and inaccurate accounting records which could not be relied on to make financial decisions, with little oversight by the Board.

Accounting Records – The Clerk-Treasurer did not maintain complete and accurate accounting records and did not provide adequate monthly reports to the Board. We examined the Village's accounting records for the fiscal year ending May 31, 2023, and determined that while revenues and expenditures were generally recorded accurate and in a timely manner, balance sheet accounts were not properly maintained by the Clerk-Treasurer due to lack of:

- Monthly reconciling of bank balances to cash balances in the general ledger,
- Accounting for all operating fund bank accounts in the general ledger, and
- Preparing and recording correcting journal entries in a timely manner.

We also determined certain pre-paid expenses were improperly carried over from prior years. For example, a pre-paid expense of \$35,331 was recorded in May 2022 when the Village made an early bond payment; the prepaid expense was carried forward in the accounting records through January 31, 2024, even though the pre-paid expense should have been recognized as an expense in the 2022-2023 fiscal year when the payment was due. Further, we determined the former Clerk-Treasurer made various balance sheet posting errors. For example, we determined \$195,000 of interfund loans were recorded incorrectly; the fund receiving the advance was recorded as providing the advance and not as the fund receiving the advance.

As a result of the inaccurate accounting for monetary transactions:

- General fund assets were understated by \$203,594, and liabilities were understated by \$341,276,
- Water fund assets were understated by \$405,629 and liabilities were understated by \$30,029,
- Sewer fund assets were understated by \$42,578 and liabilities were overstated by \$39,923, and
- Capital project assets were understated by \$613,329 because the cash balance in one of the five capital project bank accounts was not accounted for in the general ledger.

The Board President and current Clerk-Treasurer told us they were currently working with the Village's outside accountants to prepare adjusting journal entries to correct the recording errors made by the former Clerk-Treasurer in the 2021-22 fiscal accounting records before filing the 2021-22 AFR. Once the 2021-22 AFR is filed, they plan to work on any necessary correcting journal entries for fiscal year 2022-23, so that they can file the 2022-23 AFR.

In addition, neither the former nor current Clerk-Treasurer prepared monthly reconciliations between the bank statements and general ledger cash balances. The Board President, two Board members and the current Clerk-Treasurer told us that the Board had not required either Clerk-Treasurer to provide a report of these reconciled cash balances to the Board for review. The Board also did not require the Clerk-Treasurer to provide the Board with periodic balance sheets and trial balances by fund. According to these officials, they thought that receiving the monthly budget to actual reports was sufficient to monitor operations. Further, while the Clerk-Treasurer provides the Board with a monthly budget to actual revenue and expenditure report, this report is presented with account codes of all funds listed together, rather than organized by fund, thereby limiting the Board's ability to compare a fund's financial activities to the adopted budget.

The failure to maintain complete and accurate records, prepare monthly reconciliations or adequate monthly reporting for the Board reduced transparency, prevented monitoring of financial operations by the Board and increased the risk that unauthorized or inappropriate transactions could occur and go undetected.

Bank Reconciliations – The Clerk-Treasurer did not properly prepare bank reconciliations, and no one independently reviewed bank reconciliations, bank statements or canceled check images. A clerk in the Clerk-Treasurer's office reviewed the Village's 19 bank accounts monthly to determine the available cash balance in each account by determining which checks had cleared or were still outstanding, and if any deposits were still in transit (i.e., not cleared as of the end of the bank statement period). However, this review is not an accurate way to prepare a bank reconciliation and no actual reconciliation to the general ledger cash balances was performed.

We performed bank reconciliations to determine the adjusted bank balances and compared the adjusted bank balances for the 19 bank accounts to the recorded cash balance in the accounting records as of May 31, 2023. While the adjusted bank balances prepared by the clerk were supported, we determined that the recorded cash balance in the general ledger totaling \$1,241,589 for the Village's five operating funds was understated by \$1,267,620 or by over 100 percent. This was primarily due to the Clerk-Treasurer not accounting for three Village operating bank accounts, totaling \$1,104,580 at May 31, 2023, in the Village's accounting records. A Board member told us that prior Clerk-Treasurers

also maintained these bank accounts outside of the general ledger and therefore the practice was passed down to subsequent Clerk-Treasurers. The Board and Clerk-Treasurer were not aware of the need to record these bank accounts.

When bank reconciliations are not prepared to verify recorded cash balances agree with the bank balances, and there is no supervisory review of bank reconciliations in conjunction with bank statements and canceled check images, there is a greater risk that errors and/or irregularities could occur and remain undetected.

When Should a Village Clerk-Treasurer File an AFR?

New York State General Municipal Law Section 30 requires a village clerk-treasurer to file an AFR with OSC within 60 days of the end of a village’s fiscal year (May 31) or request an extension which, if granted, would extend the deadline an additional 60 days. The AFR provides a village board, OSC, village residents and other interested parties with a transparent tool to monitor and evaluate financial operations.

The Village Clerk-Treasurer Did Not File AFRs in a Timely Manner

The Clerk-Treasurer has not filed the AFRs for the Village for fiscal years ending May 31, 2020 through 2023 in a timely manner. The 2019-20 and 2020-21 AFRs were filed late, and as of March 21, 2024 (last day of our audit fieldwork), the 2021-22 and 2022-23 AFRs were still not filed (Figure 1).

Figure 1: AFRs – Number of Days Late

Fiscal Year	Due Date	Filed Date	Days Late as of Filing Date or March 21, 2024
2019-20	9/29/2020 ^a	3/4/2021	156
2020-21	9/29/2021 ^a	6/3/2022	247
2021-22	9/29/2022 ^a	Not filed as of 3/21/2024	539
2022-23	7/31/2023	Not filed as of 3/21/2024	234

a) – 60-day extension granted

The late and lack of AFR filings occurred because the Clerk-Treasurer failed to maintain adequate records to allow for the timely filing of AFRs. In addition, the Board did not fully understand its oversight responsibilities, and, therefore, did not exercise appropriate oversight of the Clerk-Treasurer to ensure that the accounting records were maintained in a timely and accurate way to allow for the timely filing of the AFRs. Because the Board did not require periodic balance sheets, reconciled cash balances or budget to actual reports in an appropriate format, they were unable to properly evaluate whether the accounting records were maintained in an appropriate and timely manner.

Without timely submission of the required AFR, the Board, OSC, Village residents and other interested parties are missing a transparent tool to monitor and evaluate financial operations.

Why Should the Village Board Perform an Annual Audit of the Clerk-Treasurer's Records?

Unless a certified public accountant or public accountant has been hired to audit the village clerk-treasurer's records within 60 days after the close of the fiscal year, a board shall audit, or cause to be audited by an officer or employee of the village the clerk-treasurer's statement showing in detail all revenues and expenditures during the previous fiscal year and the outstanding indebtedness of the village as of the end of the fiscal year and all supporting documentation per New York State Village Law 4-408(e). The annual audit helps the village board fulfill its overall fiscal oversight responsibilities by providing it with an opportunity to assess the reliability of the books, records and supporting documents. It also serves to identify conditions that need improvement and provides useful information to help a village board oversee its village's financial operations.

The Board Did Not Annually Audit the Clerk-Treasurer's Records

The Board did not audit, or contract an independent public accountant to audit, the Clerk-Treasurer's records. The Board President, one Board member and the Clerk-Treasurer told us they were unaware of the requirement for the Board to conduct an annual audit of the Clerk-Treasurer's records.

The failure to perform an annual audit diminished the Board's ability to monitor financial operations. Had the Board conducted an annual audit, it may have identified the Clerk-Treasurer's recordkeeping and reporting deficiencies and could have implemented corrective action.

What Do We Recommend?

The Board should:

1. Require the Clerk-Treasurer to maintain accurate records for all Village operating bank accounts and their related financial activity.
2. Ensure the Clerk-Treasurer prepares and provides the Board monthly financial reports by operating fund including balance sheets, reconciled cash balances and budget to actual results.
3. Routinely review and verify the Clerk-Treasurer's work including reviewing bank statements, bank reconciliations and canceled check images.
4. Ensure the required AFR is filed with OSC within 60 days after the close of the fiscal year.
5. Annually audit or cause to be audited the books and records of the Clerk-Treasurer as required.

The Clerk-Treasurer should:

6. Maintain accurate accounting records.
7. Prepare monthly bank reconciliations for all Village accounts and investigate and resolve any differences.

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8. Provide monthly balance sheet and bank statement reconciliation information and revenue and expenditure information to the Board for its review.
 9. Ensure the AFR is completed and filed with OSC within 60 days after the close of each fiscal year as required.

Appendix A: Response From Village Officials

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September 20, 2024

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To Mr. Gifford:

On behalf of the Village of Catskill, we would like to extend our appreciation for the time and effort you dedicated to conducting the municipal audit. We have reviewed your findings and take into consideration all your recommendations to provide the most accurate reports to the Board to make the best financial decisions for the Village of Catskill.

We want to assure you that we have taken the recommendations provided in the audit report seriously and have already begun implementing necessary changes to address any identified areas for improvement. One of the first changes implemented is the Clerk-Treasurer now provides the Board with the operating statement, by fund, monthly for review. The Clerk has also been working with our outside accountant to complete the adjusting journal entries for errors made by former Clerk-Treasurers and to ensure that our accounting system reflects accurate records for all our financial activity.

As you are aware, the Village of Catskill has recently undergone several changes in office staffing, resulting in a gap in the passing down of best practices and guidelines. The Village has also retained a new accounting firm in 2022 which delayed the filing of the AFR due to the challenging task of reconciling the incorrect entries and ensuring that the accounting system is accurate. Your insights and recommendations will greatly aid us in rectifying these issues and ensuring transparency and efficiency in our financial operations. The Board will also be making the necessary changes to fulfill their duties overseeing the financial operations of the Village. As recommended, the Board will be conducting an annual audit of the Clerk-Treasurer's books and records.

We greatly value your assistance and look forward to continuing to work in collaboration with the NYS Auditor's Office to move in the right direction regarding the management of our books and financial accountability in the Village of Catskill.

Thank you once again for your dedication and support.

Respectfully,

Joseph D. Kozloski
Village Board President

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. 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 Village officials to gain an understanding of the Village's policies and procedures in place for maintaining financial information.
- We gathered information on the responsibilities of Village officials. We interviewed Village officials to determine what processes were in place to gain an understanding of the Village's financial operations and budget.
- We reviewed and analyzed the Village's financial records and reports for all funds, including balance sheets, budget to actual comparisons for revenue and appropriations, and operating statements, and the general ledger.
- We interviewed Village officials to determine when AFRs were filed and the reason why they were late if they were late and confirmed submission dates through our OSC online reporting system.
- We completed bank reconciliations for all bank accounts for the month ending May 31, 2023 to verify the adjusted bank balances prepared by the Clerk-Treasurer's office were supported and whether they reconciled to the general ledger.
- We reviewed correspondence from third parties relevant to financial activities.
- We interviewed officials to determine if an annual audit of the Clerk's records was performed and to determine if any records of such an audit were available.

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 office.

Appendix C: 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

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