



Village of Copenhagen

Transparency of Fiscal Activities

S9-24-15 | December 2024

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Report Highlights

Village of Copenhagen

Audit Objective

Determine whether the Village of Copenhagen (Village) Board of Trustees (Board):

- Conducted an annual audit of the Village Chief Fiscal Officers' (CFO) financial records and reports,
- Filed the required Annual Financial Report (AFR) with the Office of the State Comptroller (OSC), and
- Reported the results of the Village's fiscal activities to the public in a transparent manner.

Key Findings

The Board did not:

- Conduct an annual audit, or cause to be audited, the CFOs' 2022-23 financial records and reports, as required by New York State Village Law (Village Law) Section 4-408.
- Ensure the AFR was prepared and filed with OSC, as required by New York State General Municipal Law (GML) Section 30. The last filed AFR was for the fiscal year ending May 31, 2022, filed on July 18, 2024; 717 days after the due date.
- Report the results of the Village's fiscal activities to the public, as required by GML Section 30 and Village Law Section 4-408.

In addition, the CFO's records were not properly maintained or recorded in a timely manner which created gaps or delays in preparing records, completing annual audits and filing reports.

Although our review did not identify any significant fiscal concerns with the Village's general fund for the fiscal year 2022-23, the Board's ineffective oversight resulted in a lack of transparency with the public regarding the condition of the CFO's records and the Village's fiscal activities.

Recommendations

The audit report includes eight recommendations to help the Board and CFO improve the transparency of their fiscal activities. Village officials generally agreed with our recommendations and indicated they have taken or will take corrective action.

Audit Period

June 1, 2022 – October 1, 2023

We extended our review of the last filed AFR to September 2024.

Background

The Village is located in the Town of Denmark in Lewis County and is governed by the elected Board, comprising a Village Mayor (Mayor), Deputy Mayor and three Trustees.

During our audit period, there were two appointed individuals who served as the Village's CFO:

- The former Clerk-Treasurer who served until January 2023, and
- The current Clerk-Treasurer, who was appointed at that time.

The CFO, in accordance with Village Law Section 4-408, is responsible for the custody of all Village funds, and must:

- Keep accounts of all receipts and expenditures,
- Deposit all funds received in a timely manner,
- Pay out all funds, and
- File a statement at the end of the fiscal year 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.

Quick Facts

2022-23 General Fund Appropriations	\$1 million
Population	631
As of September 30, 2024	
Unfiled AFRs	Days Late
2023	427
2024	61

Transparency of Fiscal Activities

The public has a fundamental right to know how village officials spend tax dollars to provide various services to the public, including general government support, street maintenance and improvement, snow removal, fire protection, refuse collection, water and sewer services. To this end, village officials have a responsibility to ensure comprehensive financial information supporting a village board's actions and village operations is readily accessible and available to the public in a transparent manner.

How Should Village Officials Provide Transparency of Fiscal Activities?

A village board is responsible for overseeing the village's financial operations and safeguarding its resources and is required by Village Law Section 4-408 to annually audit, or cause to be audited, the village CFO's¹ books and records. These books and records include:

- Cash receipt and disbursement transactions,
- Cash reconciliations,
- Receivables,
- Investment records,
- Deposit protections,
- Indebtedness and property records,
- Payrolls, and
- Financial reports.

The audit of these records should be thorough and sufficiently detailed and helps to ensure that sufficient board oversight is being maintained over village operations. An audit of the CFO's records should determine that the following minimum concerns are met:

- Financial records are complete and up to date,
- Transactions are recorded properly,
- Reconciliations are performed monthly, and
- Required reports are made in a timely and accurate manner.

Appendix B includes a checklist and OSC guidance on conducting an annual audit excerpted from our Local Government Management Guide publication *Fiscal Oversight Responsibilities of the Governing Board*.² At a minimum, audits provide the village board with the opportunity to assess the effectiveness of financial operations. An annual audit also provides an independent verification that transactions are properly recorded, that village money is properly accounted for and whether any significant fiscal concerns exist.

Furthermore, GML Section 30 requires a CFO to prepare and file an annual report of the village's financial position and results of operations, known as the AFR, with OSC within 60 days³ after the close of the fiscal year. The AFR provides detailed information about the village's finances and includes such items as revenues, expenditures, debt, cash reserves and fund balance.

¹ A village can appoint an individual to serve as both clerk and treasurer, or have separate individuals serving as Village Clerk, and as Village Treasurer. Generally, the clerk-treasurer position encompasses the main responsibilities of the treasurer's area of financial accountability and reporting.

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

³ Villages with populations under 5,000 have 60 days to file, between 5,000 to 19,999 have 90 days, and populations with 20,000 or more have 120 days.

As part of its oversight responsibilities, a village board should ensure the CFO prepares and files the AFR as required. In addition, the AFR must be made available to the public in accordance with:

- Village Law Section 4-408 which requires the board to publish a notice in the village's official newspaper within 10 days that the AFR has been filed and is available to the public for inspection, and
- GML Section 30 which requires a village to make the AFR accessible to the public on its official website.

Gaps or delays in preparing records, completing annual audits and filing reports undermine transparency and create missed opportunities to identify fiscal concerns earlier when it might be more easily remedied.

The Board Did Not Provide For an Annual Audit of the CFO's Records and Reports

The Board did not audit, or cause to be audited, the CFO's records and reports for the fiscal year ending May 31, 2023. The Mayor and the Deputy Mayor told us they were unaware of the annual audit requirement.

Due to the Board's inaction, we performed an annual audit of the CFO's records for the fiscal year 2022-23, using OSC guidance available to, and for, Trustees of the Village. Overall, we determined the CFO's records were not properly maintained or recorded in a timely manner.

For example:

- Five of 30 vendor claims selected,⁴ totaling \$2,522, paid in the months of April and May 2023 were not supported with documentation, such as an invoice or receipt. Without adequate supporting documentation, the Board cannot be assured the payments included in the CFO's records and reports are accurate and for appropriate Village purposes.
- The CFOs did not maintain a fixed asset inventory of the Village's vehicles and equipment. We observed that the Village had higher dollar-value items such as vehicles, a payloader and generators, but none were properly recorded or accounted for in an inventory. Without maintaining a fixed asset inventory record and periodically comparing it to physical assets on hand, officials cannot help ensure that the Village's assets are protected.

The current Clerk-Treasurer told us that it was her oversight that the vendor claims had incomplete supporting documents and was unaware that as the CFO she should maintain a fixed asset inventory. She showed us the Village's insurance policy that lists high-value items including buildings, gazebos, and monuments, but did not include fixed assets for vehicles and equipment. The Village's Department of Public Works (DPW) maintained a binder containing purchase orders, invoices, and user manuals to evidence an equipment inventory for smaller items such as hand tools. However, neither the insurance policy nor the DPW's records documented or accounted for the items we observed during our fieldwork.

⁴ See Appendix C for sample selection methodology used.

We also identified that the CFOs did not provide all necessary monthly financial reports to the Board during the fiscal year 2022-23. Although the CFOs provided monthly reports showing cash balances for several months during the year, trial balances and bank reconciliations were not provided until March 2023, and budget status reports were not provided until May 2023. The Mayor and the current Clerk-Treasurer told us that the Village was transitioning from a manual accounting system to a software-based accounting system during the later part of 2022 which caused delays in providing monthly reports to the Board.

Without timely monthly financial reports, the Board cannot effectively monitor its available fund balance and actual results of operations against budget estimates. Therefore, had an annual audit commenced after the fiscal year's end, the audit could have identified these areas in need of improvement to ensure adequate documentation supports vendor claims and to maintain an inventory of fixed assets.

The Board Did Not Ensure the CFO Prepared and Filed the AFR

The former Clerk-Treasurer did not prepare, and as of September 30, 2024, the current Clerk-Treasurer had not prepared and filed, the AFR for the year ending May 31, 2023 with OSC. The last filed AFR was for the year ending May 31, 2022, filed on July 18, 2024; 717 days after the due date. Furthermore, the 2023-24 AFR is also delinquent. As a result, there was no notification to the public of available annual financial information.

The Mayor and the current Clerk-Treasurer told us that, although they were aware that the AFR for the year ending May 31, 2023 was not filed, the transition in accounting systems delayed the preparation of the Village's financial records to be reported to OSC. However, the Village completed the transition to its new accounting system in January 2023, seven months before the July 31, 2023 deadline.

Due to the Village's lack of transparency, taxpayers and other interested parties were not able to properly assess the Village's financial operations and financial condition using Village records to make informed decisions.

Although we reviewed the results of operations and analyzed changes in the components of fund balance for the Village's general fund for the year 2022-23 and did not identify any significant fiscal concerns, the Board's ineffective oversight of fiscal activities resulted in a lack of transparency with the public.

What Do We Recommend?

The Board should provide oversight and transparency by:

1. Conducting the annual audit of the CFO's records and reports or causing the audit to be performed.
2. Ensuring the CFO prepares and files the AFR.
3. Notifying the public that the AFR is available and posting the AFR to the Village's website.

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4. Attending applicable and beneficial training sessions to obtain a better understanding of its duties. Training provided by OSC can be found at www.osc.ny.gov/localgov/academy/index.htm

The current Clerk-Treasurer, as the Village's CFO, should:

5. Ensure all purchases are supported with adequate documentation.
6. Ensure an accurate and up-to-date fixed asset inventory listing is maintained.
7. Provide accurate and complete financial reports to the Board.
8. Prepare and file the AFR with OSC as required.

Appendix A: Response From Village Officials

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October 28, 2024

Dina M.L. Thompson, Chief of Municipal Audits
Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Dear Ms. Thompson,

Thank you for the opportunity to respond to the draft copy of the Village of Copenhagen Transparency of Fiscal Activities Report of Examination S9-24-15.

The Village has reviewed the findings of the Auditors and recognizes the findings. The change of staffing of the Mayor and Village Clerk/Treasurer and DPW Superintendent have contributed to these findings. As a result of these findings, the Village Board along with the Staff are looking to address them with the following actions:

The delays of the Annual Financial Reports were due to the transition from a manual accounting system to the municipal software by [REDACTED]. The Village board decided to move to this municipal software program to provide consistent and more accurate monthly accounting. The board has also hired a local accounting firm to assist the Clerk/Treasurer with filing the reports. Moving to the municipal software was critical for them to be able to assist us. At this time, the AFR for 2022 should now be on file and the 2023 is close to completion. We will also ensure that the reports are placed on the Village Web Site for residents to access, the reports are always available upon request at the village office. Residents are encouraged to ask questions, and our board has an open forum during regular board meetings where the public can ask questions about any financial matters.

The board will also be working with the DPW department in completing the fixed asset of the Village Equipment. This also includes the Village Hall along with the Sewer and two Water Plants. The DPW department has been tasked with keeping this inventory up to date, adding new items to the appropriate inventory list as purchases are made and require a biannual review of the inventory lists by the village board.

The new municipal software has been used to generate reports for the monthly meetings to allow all board members to get accurate information regarding the financial transactions and balances of the Village accounts. This is a practice that is new to our Village, and started in fall of 2023. Two board members will be working with the Clerk/Treasurer to complete a monthly audit/review of the records. The monthly reports have all documents associated with the transactions and a closer examination will be done during the monthly audit. All questions are addressed during the meetings in public prior to any approval of payment of bills by the Village Board, this includes and is not limited to a verification of the budget line items the bills will be paid from to ensure that adequate funds exist in the correct line item to make payment.

"We are an equal opportunity employer and provider."

We have noted the attached General Recordkeeping and CFO Checklist and will look to implement it at our next regular scheduled Village Board Meeting November 13, 2024. We will also look to schedule the necessary training through both OSC and NYCOM to ensure that our record keeping, and financial requirements are met in a timely manner.

We think that it is important for it to be noted that the Village of Copenhagen has been able to reduce the effective tax rate for 3 consecutive years and looks to reduce taxes further in the coming year. None of this would be possible without the diligent work of the Village Board and the Village Staff. Our first priority is to the fiscal health of our village and ultimately our responsibility to tax payers of this Village.

Very Respectfully,

Mark Souva
Mayor

"We are an equal opportunity employer and provider."

Appendix B: General Recordkeeping and CFO Checklist

Determine the types of funds in use, and whether separate cash receipts and disbursements books are maintained for the various funds or whether a single cash receipts and single cash disbursements book is maintained. The following checklist can be used for each fund maintained and is excerpted from pages 26-28 of our publication Local Government Management Guide publication *Fiscal Oversight Responsibilities of the Governing Board* available at: <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

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, payer, purpose and the amount either individually or totals referenced to subsidiary receipt records (e.g., water rents 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? <i>Last Recorded Deposit: Date _____ Amount _____</i>	<input type="checkbox"/>	<input type="checkbox"/>
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 payrolls?	<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? <i>Last Recorded Check: # _____ Date _____ Amount _____</i>	<input type="checkbox"/>	<input type="checkbox"/>
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"/>

Cash Reconciliations			YES	NO
Are bank accounts reconciled?			<input type="checkbox"/>	<input type="checkbox"/>
<i>By Whom?</i> _____				
<i>How Often?</i> _____				
<i>Who Reviews/Verfies Them?</i> _____				
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 in a timely manner 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	YES	NO
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	YES	NO
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	YES	NO
Has the bank pledged adequate, eligible securities to protect deposits and investments (under the custody of the chief fiscal officer) that exceed FDIC insurance protection?	<input type="checkbox"/>	<input type="checkbox"/>

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	YES	NO
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	YES	NO
Are interim reports (budget/actual; trial balances; 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"/>

Payrolls	YES	NO
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"/>

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 reviewed Board meeting minutes and interviewed the Mayor, CFO, and the Deputy Mayor to gain an understanding of the Village's operations and the Board's oversight regarding annual audits, filing of the AFR and review of financial reports.
- We performed an annual audit of the CFO's records for the fiscal year ended May 31, 2023, using OSC guidance available to Board members.
- We identified 71 payment transactions, totaling \$122,912, recorded in the electronic cash disbursement data for the months of April and May 2023, the two most recent months ending the fiscal year 2022-23. We used our professional judgment to select 30 payments, totaling \$89,573, as a representative sample of payments attributed to all Village departments (four sewer, six water, eight DPW and 12 general government support), to determine whether the payments were adequately supported by documentation.
- We assessed whether the Village has experienced any significant fiscal concerns by reviewing the CFO's records and reports showing composition of fund balance, operating results, and budgeted appropriations.

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 Clerk-Treasurer'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

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

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

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