



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

ROBIN L. LOIS, CPA
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

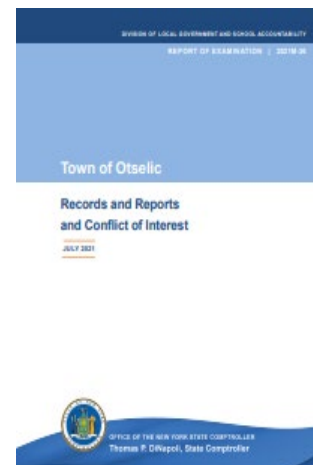
August 2024

Marjorie Davis, Town Supervisor
Members of the Town Board
Town of Otselic
133 County Road 13
South Otselic, NY 13155

Report Number: 2021M-36-F

Dear Town Supervisor Davis and Members of the Town Board:

One of the Office of the State Comptroller's (OSC's) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and to account for and protect their local government's assets. In accordance with these objectives, we conducted an audit of the Town of Otselic (Town) to determine whether the Town Supervisor (Supervisor) maintained complete, accurate and timely records and reports and whether Town officials ensured that there were no prohibited interests in Town contracts. As a result of our audit, we issued a report, dated July 2021,¹ identifying certain conditions and opportunities for Town management's review and consideration. The Town Board (Board) consists of the Supervisor and four Board members.



To further our policy of providing assistance to local governments, we revisited the Town in May 2024 to review the progress in implementing our recommendations. Our follow-up review was limited to interviews with Town personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, Town officials have made almost no progress on implementing corrective action. Of the 11 audit recommendations, one was fully implemented, one recommendation was partially implemented and nine recommendations were not implemented including the recommendation that the Board should require the Supervisor to provide accurate monthly financial reports. When Town officials do not keep this required financial information current and accessible, it undermines confidence and accountability in the

¹ <https://www.osc.ny.gov/local-government/audits/town/2021/07/16/town-otselic-records-and-reports-and-conflict-interest-2021m-36>

Town's finances and forgoes an opportunity to learn of future risks from our Office's early warning system. The Supervisor and the four Board members did not provide any explanations for why the corrective action was not taken.

Recommendation 1 – Accurate Financial Reports

The Board should require the Supervisor to provide accurate monthly financial reports.

Status of Corrective Action: Not Implemented

Observations/Findings: We examined the April 2024 checking account bank statements for the general, highway and water funds, and traced all transactions to the Town's financial accounting software to determine whether monthly financial reports were accurate. The following transactions were either not recorded or not recorded accurately in the financial accounting software:

- One transfer totaling \$2,400 from the general fund to the trust and agency fund was not recorded.
- Four checks totaling \$1,732 were not recorded accurately. Check numbers and amounts that cleared the bank accounts did not match the check numbers and amounts.
- One check totaling \$1,460 was recorded twice and one deposit totaling \$44.50 was not recorded.

Additionally, the Supervisor does not prepare bank reconciliations. Bank reconciliations could have identified the errors mentioned. See Recommendation 6.

Recommendation 2 – Board Review of Supervisor's Records

The Board should periodically review the Supervisor's financial records to ensure errors and irregularities do not exist in the accounting records.

Status of Corrective Action: Not Implemented

Observations/Findings: The four Board members told us they do not review the Supervisor's accounting records to ensure errors and irregularities do not exist. See Recommendation 1 for errors found.

Recommendation 3 – Annual Audit of Supervisor's Records and Reports

The Board should audit or provide for an audit of the Supervisor's financial records and reports on an annual basis.

Status of Corrective Action: Not Implemented

Observations/Findings: The four Board members told us they have not audited or provided for an annual audit of the Supervisor’s financial records and reports. While the Board voted to hire an independent auditor to perform an annual audit in January 2024, as of June 17, 2024, the Board has not hired an independent auditor. The Board members were unable to explain why an independent auditor was not hired.

Recommendation 4 – Annual Update Document (AUD) Submission

The Board should require the Supervisor to prepare and submit the delinquent AUDs² with OSC and prepare future AUDs in a timely manner.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Supervisor has filed the 2016 through 2023 fiscal years’ AUDs with OSC. However, these past reports were filed between 77 and 2,343 days late. Gaps in filing undermine transparency and create missed opportunities to identify fiscal stress earlier when it might be more easily remedied. Furthermore, when the Supervisor does not file, or file in a timely manner, it leaves local officials and taxpayers in the dark about possible financial problems.

Recommendation 5 – Board Training

The Board should seek out appropriate training for financial administration and recordkeeping.

Status of Corrective Action: Not Implemented

Observations/Findings: The four Board members told us they have not attended or pursued appropriate training for financial administration and recordkeeping.

Recommendation 6 – Accurate Financial Reports

The Supervisor should maintain accurate financial records and reports, including bank reconciliations, and provide the Board with accurate budget-to-actual reports for each operating fund.

Status of Corrective Action: Not Implemented

Observations/Findings: The Supervisor did not maintain accurate financial records and reports and has not provided the Board with budget-to-actual reports for each operating fund. The Supervisor told us that she views the bank statement balances and those in the financial accounting software, but she does not prepare bank reconciliations. The Supervisor has not provided the Board with budget-to-actual reports because she was unable to enter the budget numbers into the financial accounting software. See Recommendation 1 for errors found.

² Starting in 2023, the AUD is referred to as the annual financial report (AFR).

Recommendation 7 – Correct Errors Identified in Report

The Supervisor should correct the errors identified in the Town’s accounting records.

Status of Corrective Action: Not Implemented

Observations/Findings: The Supervisor told us she did not correct the errors identified in the accounting records in 2018 and 2019 because she wanted to attempt to record accurately starting in 2020. Therefore, we question the accuracy and completeness of the AUDs filed for those years.

Recommendation 8 – AUD Submission

The Supervisor should prepare and file the overdue AUDs with our office immediately and in future years within 60 days after the close of the financial year.

Status of Corrective Action: Not Implemented

Observations/Findings: Although our July 2021 report noted the 2016 through 2020 AFRs were not filed, officials did not file the 2016 AFR until August 1, 2023, more than three years after we recommended officials immediately file overdue AFRs. The 2017 through 2020 AFRs were filed between February 2024 and April 2024. The 2021 through 2023 AFRs were filed in May 2024. Lastly, the 2023 AFR was not filed within 60 days as required. Officials filed it five and half months after the close of the financial year.

Recommendation 9 – Supervisor Training

The Supervisor should attend training to develop skills for recordkeeping and financial management.

Status of Corrective Action: Not Implemented

Observations/Findings: The Supervisor has not attended training to develop skills for recordkeeping and financial management, even though our July 2021 audit report commented that the Supervisor told us that she was not familiar with the Town’s financial accounting software and had been trying to obtain training on how to use the software. The four Board members told us there are two new members and the Board will be pursuing appropriate training for the Supervisor and Board.

Recommendation 10 – Adopt Code of Ethics

The Board should adopt a code of ethics.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted a code of ethics on July 13, 2021.

Recommendation 11 – Conflicts of Interest

The Board should ensure that all officials and employees are familiar with and follow the requirements of General Municipal Law (GML) Article 18 as they relate to conflicts of interest.

Status of Corrective Action: Not Implemented

Observations/Findings: The four Board members told us they did not ensure that all officials and employees are familiar with and follow the requirements of GML Article 18 as they relate to conflicts of interest. While the Board adopted a code of ethics that addresses conflicts of interest, the code is not posted publicly in each building and employees have not received copies. The Board member mentioned in our July 2021 report, who had the prohibited interest in contracts, is no longer a Board member.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Town officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Ann C. Singer, Chief of Municipal Audits of our Binghamton Regional Office at (607) 721-8306.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller