



Town of Pittsfield

Supervisor's Records and Reports

2024M-80 | September 2024

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Report Highlights

Town of Pittsfield

Audit Objective

Determine whether the Town of Pittsfield's (Town) Town Supervisor (Supervisor) maintained complete, accurate and up-to-date accounting records and reports.

Key Findings

The Supervisor did not maintain complete, accurate and up-to-date accounting records and reports. Without accurate, complete and supported financial records and reports, the Town Board's (Board) and Town officials' ability to monitor financial affairs, make sound financial decisions and identify and correct errors was limited. The Supervisor did not:

- Properly record revenues in the accounting system, prepare bank reconciliations or provide detailed monthly fund balances to the Board.
- File the Town's 2021 or 2023 Annual Financial Reports (AFRs), as required by New York State General Municipal Law (GML) Section 30. In addition, the 2022 AFR was inaccurate.
- Provide the Board with records for the annual audit, as required by New York State Town Law (Town Law) Section 123.

Had the accounting records been presented to the Board and the Board members fulfilled the annual audit requirement and provided adequate oversight of the Town's financial operations, the accounting and reporting deficiencies may have been identified and corrected.

Recommendations

The audit report includes nine recommendations that can help improve the completeness, accuracy and timeliness of the Town's accounting records and reports.

Town officials agreed with our recommendations and indicated they are taking corrective action.

Audit Period

January 1, 2021 – December 31, 2023. We extended the audit period forward to June 20, 2024 to determine whether annual audits were performed and how late the unfiled AFRs were.

Background

The Town, located in Otsego County, is governed by the elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for the general oversight of operations and finances.

The Supervisor serves as the Town's chief executive officer, fiscal officer and the Board-appointed budget officer. The Supervisor is responsible for ensuring that day-to-day financial activities are recorded in the accounting system and, along with department heads, the development of the tentative budget.

The former Supervisor hired a bookkeeper to post transactions, reconcile the bank accounts, prepare monthly reports and file the AFRs. In February 2022, the Supervisor assumed these duties and ended the bookkeeper's employment with the Town.

Quick Facts

2023 Appropriations	\$1.1 million
2023 Real Property Taxes	\$589,462

AFR Filings as of June 20, 2024

Year	Filed (Yes/No)	Days Late
2021	No	843
2022	Yes	0
2023	No	81

Supervisor's Records and Reports

What Are a Town Supervisor's Financial Records and Reports Responsibilities?

A town supervisor (supervisor) is responsible for maintaining accurate financial accounting records that summarize a town's financial activity. The supervisor should ensure the accounting records document the assets, liabilities, fund balance and results of operations (revenues and expenditures) separately for each town fund. The supervisor should also ensure monthly bank reconciliations are performed to verify that all collections and disbursements are properly recorded and provide a way to identify, correct and document differences between a town's accounting records and bank transactions.

The supervisor must provide monthly reports to the town board (board), including reconciled cash balances for each fund and detailed year-to-date, budget-to-actual comparisons of revenue and expenditure accounts for each fund. These reports are essential in assisting the board in monitoring financial operations, such as ensuring revenues and expenditures, assets, liabilities and fund balance are properly recognized and recorded in the proper fund.

GML Section 30 requires that supervisors of towns with populations less than 5,000 to file a town's AFR with the New York State Office of the State Comptroller (OSC) within 60 days of the end of the town's fiscal year (December 31) or request an extension which, if granted, would extend the deadline an additional 60 days. The AFR is a report of a town's financial position and results of operations. It is an important fiscal tool that can provide the board, OSC, town residents and other interested parties with a transparent way to monitor and evaluate financial operations.

Accounting Records and Reports Were Inaccurate and Incomplete

The Supervisor and former bookkeeper did not maintain complete and accurate accounting records and reports. Based on our review of the Supervisor's accounting records and AFRs, we identified the following recording and reporting errors:

- Computerized accounting records were not set up on a fund basis to allow for separate and accurate fund balance for each fund. Instead, the balance sheet shows one account titled "Retained Earnings" which combined the fund balance from each of the Town's three funds (general fund, highway fund and transfer station fund). The combined balance sheet includes the cash accounts of all three funds separately but was not provided to the Board at monthly meetings. Instead, the Supervisor provided the Board with the unadjusted bank account cash balances (i.e., a printout of the bank account balances from the bank's website) each month without a report of the adjusted bank (book) balances (e.g., accounting for any deposits in transit or outstanding checks not included in the bank account balances).
- The 2021 general ledger was incomplete. For example, we identified months of collection and disbursement activity, including several complete months of payroll transactions, that were missing from the 2021 general ledger. We also reviewed monthly Board meeting minutes from 2021 and 2022, which included discussions about the missing activity. Because the ledger included a \$222,260 journal entry in the general fund to reduce cash as of December 31st for unrecorded transactions, we reviewed the bank statements and canceled check images to confirm the withdrawals or transfers were proper and found no evidence of any improper transactions.

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- Bank reconciliations were not completed for December 31, 2021. We performed a bank reconciliation of all bank accounts as of December 31, 2021, and determined that the total adjusted bank balances were inaccurately reported on the general ledger. The reconciled balances were \$53,421 more than the general ledger balances in total (i.e., there was more money in the bank than what the Supervisor's records indicated). Furthermore, no one independently reviewed the bank statements or any bank reconciliations the bookkeeper or Supervisor prepared during our audit period.
 - As of December 31, 2023, a general ledger account titled "Cash" had a reported balance of \$2,040. Although the account was used to record money used to establish a cash drawer which the Town Clerk used for real property tax collections, the money was returned to the general fund checking account on June 5, 2023. However, the general ledger was not updated.
 - A general ledger account titled "Payments to Deposit" had a reported balance of \$180,450 but the actual balance was \$0. The Supervisor erroneously used the account to record transfers of Consolidated Local Street and Highway Improvement Program (CHIPS) money from the general fund to the highway fund in 2023.
 - Certain account balances in the 2022 AFR were unsupported and inaccurate. For example, the general ledger had a single accounts payable account with a balance of \$467, however the 2022 AFR reported three accounts payable amounts totaling \$100,080.
 - We found no evidence of significant payables when we examined subsequent disbursements in the first four months of 2023.
 - The balances reported on the AFR were the result of the Supervisor using unsupported balancing (plug) numbers to report accounts payable amounts in order to balance the AFR (i.e., assets minus liabilities equals fund balance). The Supervisor confirmed she had no significant accounting experience and little training. She also was unaware of the proper way to balance the funds separately in the AFR by recording a prior period adjustment to fund balance for the beginning balances.¹

Without accurate, complete and supported financial records and reports, the Board's and Town officials' ability to monitor financial affairs, make sound financial decisions and identify and correct errors and irregularities was limited. The lack of separate fund accounting allowed transactions to be recorded between individual funds without the proper use of receivable and payable accounts, creating unbalanced funds along with other errors that complicate the AFR filing process. Had bank reconciliations been provided for review at the monthly Board meetings, officials (or Board members) may have identified errors in the accounting records that could have been corrected. The lack of accurate financial records and reports also increases the risk of loss or unauthorized use of Town funds.

¹ Because no 2021 AFR was filed, the Town started a new ledger on January 1, 2022. As a result, when the 2022 AFR was filed, certain prior period adjustments were necessary for the missing 2021 activity in order for each fund to properly balance with the correct amount of fund balance.

The Supervisor Did Not Always File the Required AFRs

Although the Supervisor filed the AFR for fiscal year ending December 21, 2022 on time, the AFR was not accurate and the AFR for fiscal year ending December 31, 2021 and 2023 remained unfiled. As of June 20, 2024, the 2021 AFR was 843 days late and the 2023 AFR was 81 days late. The Supervisor told us that the primary reasons for not filing the 2021 AFR were because of difficulties in recording payroll, correcting the inaccurate accounting records (see previous section, Accounting Records and Reports Were Inaccurate and Incomplete) and reconciling the bank accounts during this period. In 2022, after the Supervisor assumed the bookkeeping duties, she started a new ledger for recording 2022 financial activity and filed the 2022 AFR on time. The 2023 AFR remained unfiled because the Supervisor told us that she wanted to address any related concerns in our audit report before she filed the AFR. Not filing AFRs, or filing inaccurate AFRs, could affect officials' ability to monitor financial affairs and make sound financial decisions.

Why Should the Board Audit the Supervisor's Records Annually?

Town Law Section 123 requires the supervisor to submit their accounting records to the board on or before January 20th for all money received and disbursed during the prior year and produce all books, records, receipts and canceled checks for the board's inspection, unless a certified public accountant or public accountant has been hired to audit the supervisor's records within 60 days after the close of the fiscal year. The annual accounting helps the 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 the board oversee the town's financial operations.

The Supervisor Did Not Provide an Annual Accounting to the Board

The Supervisor did not provide an annual accounting of records, and the Board did not audit, or contract with an independent public accountant to audit, the Supervisor's records for 2021 or 2022, as required by Town Law Section 123. The Supervisor and a Board member told us they were unaware of the annual audit requirement. In May 2024, after we informed the Supervisor of this requirement, the Board performed an audit of the Supervisor's records for 2023. Had the Board fulfilled the annual audit requirement, it may have detected and corrected the previously discussed deficiencies. The lack of Board oversight may put the Town at risk of additional errors and irregularities remaining undetected and uncorrected.

What Do We Recommend?

The Supervisor should:

1. Maintain complete, accurate and timely accounting records and financial reports, including bank reconciliations.
2. Provide the Board with accurate, detailed monthly financial reports, including a monthly balance sheet for each fund.

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3. Ensure the financial transactions are recorded in the correct funds in the accounting records.
 4. Attend applicable and beneficial training sessions to better understand and perform financial duties. Training provided by OSC can be found at <https://www.osc.ny.gov/local-government/academy>
 5. Ensure the financial information presented in the AFRs is complete, accurate and filed with OSC in a timely manner.
 6. Provide an annual accounting of records to the Board so it can perform an annual audit.

The Board should:

7. Ensure that the Supervisor provides accurate, detailed monthly financial reports that can be used to monitor and manage financial operations.
8. Review bank statements and bank reconciliations to identify and resolve any accounting errors, banking errors or other discrepancies.
9. Perform, or obtain, an annual audit of the Supervisor's records.

Appendix A: Response From Town Officials



**175 State Hwy 80
PO Box 915
New Berlin, NY 13411
(607)847-9885**

September 16, 2024
Re: Town Of Pittsfield
Supervisor's Records and Reports 2024M-80

Response to Audit

The Comptroller auditor came to work with the town August of 2023. While I was nervous at first, the auditor quickly put me at ease, and it became apparent that he was a wealth of knowledge and support. He was able to provide guidance and information that would become vital.

Pittsfield is a very small town with only a handful of individuals that want to get involved in local government. I volunteered to be appointed to the position when no others would, and I have run unopposed in every election since. I knew there was a lot to learn as I have no background in government or finance. The Comptroller's office has been helpful since the beginning with educational materials and support when needed. My first year in office, a new bookkeeper was hired. After working with our books for a year it became apparent that she was not capable of governmental bookkeeping. As she was let go from the position the duties became my own, a new bookkeeping system was enacted and bookkeeping greatly improved. I was pleased that the auditor was able to see that we had made strides in overcoming the struggles with the 2021 books.

While pushing our little town ahead with capital projects, a reevaluation, green energy improvements, ensuring financial security and getting a comprehensive plan underway has been at the front of my tenure; personal learning of all the processes that come along with these projects has been vital, along with the accounting that comes with all of these.

I was not surprised at the findings that the auditor reported. These were areas that I struggled with, as I am not a CPA. He was able to teach me things that I was not aware and point me in the right direction of literature or people that could help me.

The board and I take the 9 recommendations seriously and have already gotten to work on improvements. I would like to thank the auditor and the Comptroller's office for the work that they do.

Respectfully Submitted,

A white rectangular box redacting the signature of the supervisor.

Shelby Wing, Supervisor

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 Town officials and reviewed Board meeting minutes to obtain an understanding of controls over the disbursement process and the condition of financial records and reports.
- We reviewed all bank statements from the audit period and supporting accounting records to identify and evaluate whether any inappropriate disbursements were made.
- We assessed the accuracy of the December 2021 book balances by identifying any outstanding transactions from the subsequent months' bank statements and comparing the calculated book balance to the general ledger book balance.
- We obtained copies of annual general ledger reports and assessed their completeness and accuracy and reviewed journal entries for appropriateness and accuracy.
- We compared the accounts payable reported on the 2022 AFR to those reported in the 2022 general ledger and examined subsequent payments to vendors through April 2024 to ensure disbursements were properly recorded as accounts payable if they were for 2023 expenditures.
- We assessed the timeliness of AFR filings for 2021, 2022 and 2023 as of the end of audit fieldwork.
- We interviewed Town officials and reviewed Board meeting minutes to assess whether the Board conducted an annual audit of the Supervisor's financial records.

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.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must 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 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

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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