



# City of Rensselaer

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## Accounting Records and Reports

2023M-26 | August 2024

# Contents

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- Report Highlights . . . . . 1**
  
- Accounting Records and Reports . . . . . 2**
  - How Should Accounting Records Be Maintained? . . . . . 2
  - Officials Did Not Maintain Complete, Accurate and Timely Accounting Records . . . . . 3
  - Interfund Transactions Were Not Supported and Did Not Reconcile . 4
  - Journal Entries Were Not Reviewed or Supported . . . . . 5
  - Officials Did Not Properly Account for Capital Projects or Close Completed Projects . . . . . 5
  - Why Are Bank Reconciliations Important? . . . . . 6
  - Officials Did Not Properly Prepare or Review Bank Reconciliations in a Timely Manner . . . . . 6
  - How Should Financial Information Be Reported? . . . . . 7
  - The Council Did Not Receive Financial Reports Needed to Manage Operations . . . . . 8
  - Officials Did Not Accurately Prepare or Submit AUDs in a Timely Manner. . . . . 8
  - Independent Audit Reports Were Not Issued in a Timely Manner . . . 9
  - What Do We Recommend? . . . . . 9
  
- Appendix A – Response From City Officials . . . . . 11**
  
- Appendix B – Audit Methodology and Standards . . . . . 15**
  
- Appendix C – Resources and Services. . . . . 17**

# Report Highlights

## City of Rensselaer

### Audit Objective

Determine whether City of Rensselaer (City) officials maintained complete, accurate and timely accounting records and reports to allow the Common Council (Council) to effectively manage financial operations and capital projects.

### Key Findings

City officials did not maintain complete, accurate or timely accounting records. As a result, the reports the Council received were not sufficient to allow the Council to effectively manage the City's financial operations and capital projects.

- General ledger balances were inaccurate during each year and there were significant deficiencies with the City's accounting records.
- Interfund receivables and payables did not reconcile, varying between \$266,560 and \$2.2 million, and transactions were not entered in a timely manner.
- Bank reconciliations were not prepared in a timely manner or clearly documented and discrepancies, including a variance where the reconciled bank balance for one bank account was \$2.9 million less than the accounting records, were not explained.
- Independent audit reports were not issued in a timely manner and identified deficiencies in internal control.

### Key Recommendations

- Ensure accounting records are complete, accurate and maintained in a timely manner.
- Ensure accurate bank reconciliations are prepared on a monthly basis.
- Ensure monthly reports are provided summarizing financial activities.

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

### Audit Period

August 1, 2016 – June 30, 2022. We extended our scope to September 23, 2022 for overdue annual update document (AUD) filings as of the end of our fieldwork. The release of this report was delayed while the matter was under review by an outside agency.

### Background

The City is located in Rensselaer County. The seven-member Council is the City's legislative branch, composed of the Council President and six Alderpersons. The Council is responsible for setting the City's governing policies and adopting the budget.

The Mayor is the chief executive officer and is responsible, along with other staff, for the City's day-to-day administration and oversight. The current Mayor took office in January 2020.

The elected Treasurer is the City's chief fiscal officer. The Treasurer and appointed Comptroller are responsible for maintaining accounting records and submitting required reports. Three different Comptrollers were appointed during our audit period.

#### Quick Facts

**2022-23 Appropriations** \$19.4 million

#### AUD

Filed	Days Late
2016-17	1,596

Not Filed	Days Late As of 9/23/22 (end of fieldwork)
2017-18	1,395
2018-19	1,030
2019-20	664
2020-21	299

# Accounting Records and Reports

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The City's Charter (Charter) outlines the Treasurer's duties and responsibilities. The Council created the comptroller position in December 2014 and made the comptroller responsible for planning, directing and coordinating the accounting and auditing activities including maintaining the accounting records, performing bank reconciliations, preparing and posting journal entries, preparing annual financial statements and submitting financial reports. However, the Charter was not changed. Because of the vacancy, the City hired an independent contractor to assist with providing accounting records to the independent auditors and filing annual reports.

## **How Should Accounting Records Be Maintained?**

The accounting records must be maintained in a complete, accurate and timely manner to be relevant and useful for managing city operations and capital projects. City officials (officials) should maintain accounting records, such as a general ledger, cash receipt and disbursement journals, and subsidiary revenue and appropriation ledgers, that document the assets, liabilities, fund equity and results of operations (revenues and expenditures) for each fund. At the end of each fiscal year, accounting records should be closed to show a city's true financial condition as of the fiscal year end and bring year-end balances forward.

Officials may temporarily advance cash from one fund to another. Accurate and up-to-date records of interfund advances must be maintained so that interfund receivables and payables always agree and officials are able to determine the amount owed by each fund and to which fund(s) the amount is owed. An interfund receivable is recorded in the fund that is owed cash and a corresponding interfund payable is recorded in the fund that owes the cash. In addition, journal entries recorded in the accounting records should be supported, properly recorded, posted in a timely manner and independently reviewed.

Because capital projects are budgeted on an individual project basis and legal and contractual requirements may vary from one project to another, an individual project fund should be established for each authorized project with corresponding individual accounting records maintained for each. Once a project is completed, a council should adopt a resolution to close the project, the project should be closed in the accounting records and any unexpended balance should be distributed based on the project's funding source(s).

Unexpended funds originating from bonds associated with a completed project must be transferred to the debt service fund (the fund used to account for and report accumulated resources restricted, committed or assigned to pay principal and interest on long-term debt) and used for debt service payments on the related debt. Unexpended funds originating from interfund transfers or advances should be returned to the fund(s) that originally supplied the resources. Maintaining

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records to clearly track the flow of capital project fund money helps ensure debt is accurately paid and unexpended funds are properly returned.

## **Officials Did Not Maintain Complete, Accurate and Timely Accounting Records**

The Mayor and the Council did not provide oversight to ensure complete, accurate or timely accounting records were maintained. As a result, the accounting records for fiscal years 2018-19 through 2020-21 were not closed. Therefore, since July 31, 2018, officials have not had accurate accounting records to determine the City's financial condition.

Additionally, officials did not ensure all transactions were entered accurately and in a timely manner. While the City uses an accounting software system, certain revenues and expenditures were not routinely entered in the system. An accounts payable clerk enters most vendor payments in the accounting software system and the Treasurer's office enters some revenues in the accounting software system. However, other revenues are entered in independent systems, and payroll expenditures are processed in another independent system, then entered in the accounting software system sporadically as journal entries. Additionally, officials do not independently review or verify accounting entries for accuracy.

As a result, the City's general ledger did not reflect accurate cash, payable and receivable balances and there were significant deficiencies with the City's accounting records, including inaccurate and unsupported balance sheet account balances, revenue and expenditure transactions and journal entries. Because the Comptroller was no longer in office when we began our fieldwork and officials did not provide adequate oversight, officials could not explain the deficiencies and support was not readily available.

Because the 2016-17 fiscal year was the only year during our audit period with closed accounting records, an independent audit report and a financial report filed with our office, we requested documentation to determine whether balances were accurate and supported.<sup>1</sup> We reviewed 32 balance sheet accounts, 16 revenue accounts and 17 expenditures accounts recorded in the accounting records as of July 31, 2017 for the general, water, sewer, solid waste and community development funds.

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<sup>1</sup> Refer to Appendix B for information on our sampling methodology.

Officials could not attest to the accuracy of or provide adequate support for 28 balance sheet accounts (88 percent), 13 revenue accounts (81 percent) and 14 expenditure accounts (82 percent) (Figure 1).

**Figure 1: Unsupported Accounts**

	Trial Balance as of July 31, 2017	Supported Amount	Variance	Unsupported Accounts
<b>Balance Sheet</b>	\$9,202,381	\$3,501,362	\$5,701,019	28 of 32
<b>Revenues</b>	16,643,877	11,921,051	4,722,826	13 of 16
<b>Expenditures</b>	7,421,535	3,133,770	4,287,765	14 of 17
<b>Totals</b>	\$33,267,793	\$18,556,183	\$14,711,610	55

Without reliable accounting records, the Council's ability to manage the City's financial condition and make sound financial decisions is limited. As a result, the transparency of the City's financial operations is compromised, and City taxpayers lack assurance that the Council is effectively monitoring City operations and financial condition.

**Interfund Transactions Were Not Supported and Did Not Reconcile**

Officials did not record interfund transactions accurately or in a timely manner. From fiscal year 2017-18 through fiscal year 2021-22, interfund receivables and payables varied between \$266,560 and \$2.2 million. The largest recorded variance occurred as of July 31, 2021, when interfund receivables totaled \$575,350 and interfund payables totaled \$2.8 million.

We reviewed 17 interfund receivable and payable entries made up of 173 lines of debits and credits for cash transfers, capital projects, incorrectly recorded revenues and other adjustments. One entry recorded an interfund receivable totaling \$525,304 without a corresponding payable, sixteen entries were unsupported and all 17 lacked clear descriptions in the accounting software system to explain the purpose. For example, some adjusting entry descriptions stated, "AJE-Correct GL accounts for year ending 2017," "AJE-to correct due to/due from" and "2018 Adjustment #15 #5." These entries included various accounts and lacked support to determine whether the adjustments were accurate and appropriate.

The lack of support and errors partially occurred because of significant staff turnover in the Comptroller's office throughout the audit period. Documentation was not maintained, and staff lacked the experience and understanding needed to perform the function (see Independent Audit Reports Were Not Issued in a Timely Manner).

One-sided interfund receivable or payable entries, corrections and improper transfers increase the risk that other significant errors exist and create reliability concerns, meaning the records cannot be depended on to be accurate.

...[!]Interfund receivables and payables varied between \$266,560 and \$2.2 million.

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## **Journal Entries Were Not Reviewed or Supported**

More than 6,000 pages of journal entries were recorded during our audit period, including entries for revenues and expenditures, correcting entries and other adjustments. We reviewed 10 journal entries made up of 698 lines of debits and credits totaling \$6.6 million for payroll transactions, debt payments and other purposes.

- None of these entries were reviewed or approved.
- Eight journal entries totaling \$4.8 million were unsupported and, as a result, we could not determine whether they were accurately recorded.
- One entry for \$1.6 million was made to correct other entries made for a bond anticipation note (BAN) that was rolled into a different loan. In addition to the lack of support, there were numerous related transactions across at least two years that increased and decreased this BAN debt without clear descriptions to explain the purposes, and as a result, officials lack assurance that the outstanding debt balances are accurate.

The Mayor told us they could not locate documentation or other evidence to support these journal entries because the Comptroller was no longer in office. However, the Comptroller's office was not solely responsible for the transactions we reviewed, and no other reasonable explanations were provided.

Additionally, transactions were not entered in a timely manner. For example, the numbering sequence reviewed shows later entries created with earlier dates and receivables that were created either after or at the same time cash was received instead of functioning as a tracking system to identify outstanding assets.

The Treasurer and accounts payable clerk also told us the City is behind on entering property tax revenues, vendor payments processed outside of the accounting software system and payroll entries because the Comptroller left. In addition, a payroll specialist hired in February 2022 told us she was not provided clear guidance for providing information to the accounts payable clerk for entering payroll in a timely manner. As a result, accounting records were incomplete, inaccurate, untimely and unreliable.

## **Officials Did Not Properly Account for Capital Projects or Close Completed Projects**

Officials did not maintain individual accounting records for each of the 18 capital projects that were active during our audit period. Instead, some projects were improperly combined in the accounting records, budget-to-actual information was not maintained and project information was not clearly organized. As a result, officials did not know the status of each individual project or properly close out projects upon completion. Further, the Council did not adopt a resolution to

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close the six capital projects that were completed during our audit period. These projects all began between 2007 and 2018 and were all completed before or during the 2021-22 fiscal year.

In addition, cash for two of these projects was commingled with eight other open New York State Department of Transportation projects with a bank balance totaling \$592,743 as of June 30, 2022. The other four had bank balances totaling \$105,120 as of June 30, 2022. As of June 30, 2022, the recorded capital projects fund liabilities included short-term outstanding debt totaling \$405,000 and amounts due to other funds totaling \$333,281. In addition, the City's recorded long-term outstanding debt totaled \$19.7 million. Because of the inaccuracies in the accounting records and unreliable outstanding debt balances, we could not determine how any unexpended funds in these accounts should be distributed.

The Council and Mayor told us they were unaware they needed to adopt a resolution to close projects. Additionally, because individual accounting records were not maintained, they were unaware of each project's unexpended funds.

By not maintaining adequate records or closing out completed projects and distributing unexpended funds in a timely manner, officials withheld at least \$105,120 in funds that should have been used for related liabilities, which could have reduced the City's tax levies.

### **Why Are Bank Reconciliations Important?**

Reconciling bank account balances to general ledger cash balances allows officials to identify and research differences between the city's accounting records and bank balances. As such, bank reconciliations should be prepared and independently reviewed monthly. Any differences should be promptly resolved to ensure that financial activities are accounted for properly and in a timely manner.

### **Officials Did Not Properly Prepare or Review Bank Reconciliations in a Timely Manner**

Of the 1,022 bank reconciliations that should have been prepared during our audit period, 682 (67 percent) were prepared by the Treasurer, a Comptroller or an accounts payable clerk, but were not always prepared in a timely manner. There were no independent reviews of bank reconciliations when the responsibility changed to the Comptroller's office in February 2017.

Additionally, reconciliations did not include signatures to identify who prepared the reconciliation or if differences between the accounting records and bank balances were investigated.



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Because of the lack of available reconciliations and independent reviews, we prepared bank reconciliations for July 2017 and June 2022 for 14 bank accounts in the general, water, sewer, solid waste and community development funds. The adjusted bank balances did not agree with the general ledger cash balances at month-end for three reconciliations as of July 31, 2017 and 14 reconciliations as of June 30, 2022.

While officials could not explain the discrepancies, including a variance where the reconciled bank balance for one bank account was \$237,270 more than the accounting records and another bank account with a reconciled bank balance that was \$2.9 million less than the accounting records, some discrepancies in June 2022 are a result of payroll expenditures not being entered into the accounting software system since February 18, 2022. We estimated there were unentered payroll expenditures of \$2.3 million for the nine bi-weekly pay periods between February 18, 2022 and June 30, 2022, which could account for the majority of the variance.

This occurred because the Treasurer and Comptrollers did not maintain timely and accurate accounting records and the Mayor and Council did not provide oversight to ensure officials or staff prepared monthly bank reconciliations in a timely manner and investigate the differences.

The inadequate preparation and oversight of bank reconciliations allowed errors and irregularities to remain undetected and uncorrected. In addition, when bank reconciliations are not prepared in a timely manner, the Council's ability to monitor the City's cash position and make informed financial decisions is hindered.

### **How Should Financial Information Be Reported?**

The Charter requires the Treasurer to provide monthly reports to the Council summarizing financial activities. These monthly reports should include a detailed accounting of all money received and disbursed and detailed year-to-date budget-to-actual comparisons of revenues and expenditures. The Charter also requires the Mayor to provide the Council with a written report on an annual basis of the finances and general condition of City operations.

Further, cities must file an annual financial report, known as the AUD, with the New York State Office of the State Comptroller (OSC) no later than 120 days after the close of their fiscal year. The AUD is an important fiscal tool that provides the Council with the financial information necessary to monitor the City's operations and other interested parties with a complete summary of the City's financial activities.

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The adjusted bank balances did not agree with the general ledger cash balances at month-end for three reconciliations as of July 31, 2017 and 14 reconciliations as of June 30, 2022.

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Lastly, a council should ensure a city engages an independent auditor to audit the city's financial statements in a timely manner because independent audits:

- Express an opinion on the fairness of the presentation of a city's financial statements;
- Can help identify conditions in need of improvement; and
- Can be a useful tool in providing oversight and review of financial operations.

### **The Council Did Not Receive Financial Reports Needed to Manage Operations**

Of the 12 months we reviewed, the Council was not provided any reports for seven months (58 percent). For one of the months, the Council was provided two separate reports, one for revenues and one for expenditures. For four other months, budget performance reports were provided. Each of these reports provided budget-to-actual information to the Council. However, these reports did not include all revenues and expenses for each period provided and, because the Treasurer and Comptrollers did not maintain proper accounting records, the financial reports were not complete and accurate.

While the Charter outlines the reporting responsibilities of the Treasurer, the Treasurer told us he did not provide financial reports to the Council during our audit period because, after the Comptroller position was created, the Comptroller was responsible for providing financial reports. The three Comptrollers in office during our audit period did not provide the Council with all required financial reports. This primarily occurred because they did not maintain timely accounting records to allow for these required reports to be prepared and provided to the Council.

Additionally, the Mayor did not provide an annual written report of the City's finances and general condition of operations. While the Mayor told us he verbally communicated this information to the Council, the Council's meeting minutes do not document verbal reports. Without adequate financial reports, the Council lacked the financial information needed to effectively manage operations.

### **Officials Did Not Accurately Prepare or Submit AUDs in a Timely Manner**

The Treasurer and Comptrollers did not submit the required AUDs, in part, because they did not maintain complete, accurate and up-to-date accounting records and reports. While they are required to submit an annual AUD on or before November 28 each year, the City's 2016-17 AUD was filed 1,596 days late. The Treasurer and Comptroller, as of the end of our fieldwork, September 23, 2022, had not filed the City's 2017-18, 2018-19, 2019-20 or 2020-21 AUDs. As

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a result of the condition of the City's accounting records, the Council's ability to manage the City's finances, operations and overall fiscal health is diminished and transparency is reduced.

### **Independent Audit Reports Were Not Issued in a Timely Manner**

The last audits completed by a certified public accountant (CPA) of the City's accounting records were for fiscal years 2016-17 and 2017-18. The 2016-17 audit report was dated June 29, 2020. The CPA issued the 2017-18 audit report on October 8, 2021.

Both reports identified deficiencies in internal control including a lack of appropriate policies and procedures to review non-standard journal entries. They also both stated that prior to hiring the existing Comptroller and financial consultant (no longer in office),<sup>2</sup> the City did not have accounting personnel with the appropriate skills, knowledge and expertise to account for the City's financial transactions in accordance with State requirements and generally accepted accounting principles. Additionally, the then Treasurer, Mayor and Council did not adequately supervise the City's accounting function. Due to the lack of oversight, the City did not have compensating controls to mitigate the risk associated with inappropriate journal entries and significant adjustments were necessary to present accurate financial information for these fiscal years.

While officials have an engagement letter for the 2018-19 fiscal year, the CPA had not started the audit because of the incomplete accounting records. Additionally, a request for proposal to solicit audit services included the 2019-20 fiscal year. As of September 2022, no other independent audit reports had been issued and there were no engagements for 2020-21 or 2021-22.

By not ensuring timely independent reviews were performed, the City missed out on opportunities to identify conditions in need of improvement and other useful oversight of financial operations. The Council's ability to manage the City's financial condition and make sound financial decisions continues to be limited and City taxpayers lack assurance that the Council is effectively monitoring City operations and financial condition.

### **What Do We Recommend?**

The Mayor and Council should:

1. Ensure responsibilities are clearly assigned and staff are properly trained to account for and report financial activity.

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<sup>2</sup> Three Comptrollers were in office during our audit period from May 24, 2015 to January 13, 2020; February 6, 2020 to September 24, 2020; and December 22, 2020 to March 24, 2022.

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2. Provide oversight to ensure the accounting records are complete, accurate and maintained in a timely manner.
  3. Ensure accurate monthly bank reconciliations are prepared and, along with the bank statements, are independently reviewed and approved.
  4. Ensure, when an independent audit is planned, an independent auditor is engaged to audit the City's financial statements in a timely manner and the independent audit report is issued in a timely manner.

Officials should:

5. Perform an in-depth review of interfund receivables and payables to determine the actual amount owed from and to each fund and assess the impact that any repayment or write-off of the outstanding advances will have on the financial condition of the City's funds.
6. Record interfund transactions accurately and in a timely manner with clear descriptions and maintain documentation to support the transactions.
7. Ensure journal entries are properly recorded, posted in a timely manner and independently reviewed and approved.
8. Maintain individual accounting records for each capital project and produce and provide project status reports to the Council on a regular basis to monitor budgets in comparison with actual results and make informed decisions.
9. File accurate and timely AUDs with OSC.

The Council should:

10. Adopt a resolution to close out completed capital projects and develop procedures to ensure projects are closed in a timely manner and any unexpended funds are properly distributed.
11. Ensure monthly reports are provided summarizing financial activities. These monthly reports should include a detailed accounting of all money received and disbursed and detailed year-to-date budget-to-actual comparisons of revenues and expenditures.

The Mayor should:

12. Provide the Council with an annual written report of the finances and general condition of City operations.

# Appendix A: Response From City Officials

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## CITY OF RENSSELAER

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### OFFICE OF THE MAYOR

CITY HALL  
62 WASHINGTON STREET  
RENSSELAER, NEW YORK 12144



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Via email and regular mail (ggifford@osc.ny.gov)

July 3, 2023

Gary G. Gifford, Regional Chief Examiner  
Office of the New York State Comptroller  
Division of Local Government and School Accountability  
One Broad Street Plaza  
Glens Falls, New York 12801

Re: New York State Comptroller's Report of Examination regarding Accounting Records and Reports of the City of Rensselaer

Dear Mr. Gifford,

Thank you for providing a draft of your Report of Examination. In general, the City agrees with the findings contained therein and is working to address the deficiencies noted. These changes will be further detailed in an upcoming Corrective Action Report (CAP). The primary deficiency noted in the Report of Examination was the ongoing and longstanding failure of the City to reconcile and enter its financial transactions in a timely manner, thus resulting, in great part, to the City then not submitting its records and reports, both internal and external, in the time frames required by both the City Charter as well as State and Federal Law. This issue was pointed out in prior audits performed by the Office of the State Comptroller. It is important to note that current City Common Council Members and Mayor, for the most part, were not in office at the time of the prior audits. In addition, the current City Comptroller and Accounts Payable Clerk only took office this year.

The City's efforts to "catch up" its financial records have resulted in the submission of three years of financial Annual Update Documents (AUD) in the past twelve months. The City looks forward to continuing this progress.

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One point that should have been more strongly emphasized in the Report of Examination is that the accuracy of the current accounting records is dependent on adjusting and correcting records from prior years. When these past years are closed, the adjustments will flow through to the current financial reports which will then become more relevant.

As the Report of Examination states, the City's elected Treasurer is the Chief Fiscal Officer for the City. However, without amending the Charter, a new Comptroller position was created in 2014 with stated duties that appeared to overlap with the Treasurer's statutory responsibilities. As a result, confusion ensued, and the transition was not effectively implemented, work was not performed, and it was unclear as to which position was accountable. Although the change was intended to address deficiencies noted in prior state audits, the City's recordkeeping and reporting actually fell further behind in the years that followed.

Many of the positions tasked with performing administrative duties addressed in the audit have experienced substantial turnover and periods of vacancy in recent years. This has contributed greatly to the negative audit results. It is agreed that the City must address the accountability for the inadequacies cited in the Report of Examination. The City looks forward to working together with all involved City Officers, Boards and Officials to ensure that going forward these necessary duties, functions and positions are properly funded, staffed and coordinated. Proper review and oversight must be a high priority going forward.

Thank you for your kind attention.

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Michael Stammel, Mayor

Cc. [REDACTED]  
(muni-glensfalls@osc.ny.gov)  
Common Council  
City Treasurer  
City Comptroller



**CITY OF RENSSELAER  
COMMON COUNCIL**

CITY HALL, 62 WASHINGTON STREET  
Rensselaer, New York 12144



James Van Vorst, Ward 1  
Ernest Dambrose, Ward 2  
Bryan Leahey, Ward 3

John DeFrancesco, Council President

Andrew Kretschmar, Ward 4  
Eric Endres, Ward 5  
Anne Burton Ward 6

July 3, 2023

**Via First Class Mail and Email (ggifford@osc.ny.gov)**

Garg G. Gifford, Regional Chief Examiner  
Office of the New York State Comptroller  
Division of Local Government and School Accountability  
One Broad Street Plaza  
Glens Falls, New York 12801

RE: New York State Comptroller's Report of Examination  
Regarding Accounting Records and Reports of the City of Rensselaer

Dear Mr. Gifford:

I am in receipt of your Office's draft Report of Examination of Accounting Records and Reports of the City of Rensselaer. The Common Council appreciates the work done by your staff—and the professionalism they have displayed throughout this process.

The Common Council recognizes the need for complete, accurate and timely accounting records and financial reporting in the City of Rensselaer. As President of the Common Council, I welcome the guidance and specific recommendations contained in the draft Report. The Common Council has consistently sought cooperation and information from the City's Mayor in connection with the City's finances; and attempted to ensure that necessary procedures and personnel are in place to make compliance with the City's obligations possible. It will continue to do so in the future.

With respect to the draft Report's reference to the City's own Comptroller position, I note that that office was established in 2014 following the City's receipt of prior audits and recommendations from the Office of the State Comptroller. The Common Council created that position, by unanimous Resolution, to ensure that the City's financial and record keeping activities would be carried out in accordance with New York State laws and regulations—and generally accepted accounting principles for local governments. We believe that such a position is particularly important in the context of a City with an elected City Treasurer—where the Treasurer may lack certain expertise relating to municipal finances and accounting that are necessary to fulfill all of the City's financial and record keeping obligations.


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Although the City's current Mayor has previously questioned the need for the City Comptroller position—seeking unsuccessfully to annul it; terminating prior office holders; and declining to fill vacancies—we are encouraged that an individual with significant municipal finance experience has now been appointed to carry out the Comptroller's responsibilities; and that that individual has been able to make so much progress in getting the City's financial records and reports up-to-date. The Common Council remains committed to addressing the deficiencies that have been identified in the draft Report and we will continue to work with the Mayor, the City's appointed Comptroller and other City officials to address the recommendations your Office has made.

We look forward to preparing and submitting a more detailed Corrective Action Plan. In the meantime, we are happy to answer any additional questions that your office may have.

Respectfully Submitted,

By:

 John DeFrancesco  
Common Council President

Cc: **Members of the Common Council**  
Mayor Michael Stammel  
City Treasurer Michael A. Mizener  
City Comptroller Michael J. Slawson



## Appendix B: Audit Methodology and Standards

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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(s) 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 officials and employees and reviewed Council minutes, the Charter and financial records to gain an understanding of the City's accounting practices and the accounting records maintained.
- We reviewed CPA reports issued for fiscal years 2016-17 and 2017-18, the AUD filed for fiscal year 2016-17, trial balances for fiscal years 2016-17 through 2021-22 and supporting documentation to determine whether officials maintained appropriate, accurate and complete accounting records in a timely manner. We used our professional judgment to select a sample of 65 balance sheet, revenue and expenditure accounts for the general, community development, sewer, water and solid waste funds. We selected accounts based on dollar amount and account type.
- We reviewed year-end balances for interfund receivables and payables for fiscal years 2016-17 through 2021-22 to determine whether balances reconciled. We also used our professional judgment to select a sample of 17 interfund receivable and payable transactions made up of 173 lines of debits and credits totaling \$22 million. We reviewed accounting records and supporting documentation to determine whether transactions were properly recorded, supported and recorded in a manner that identified the amount owed by each fund and to which each fund the amount was owed. We selected transactions based on dollar amount and description.
- We used our professional judgment to select a sample of 10 journal entries made up of 698 lines of debits and credits totaling \$6.6 million to determine whether entries were supported, for appropriate purposes, properly recorded, posted in a timely manner and reviewed and approved. We selected our sample from 44,827 lines of debits and credits entered for fiscal years 2017-18 through 2021-22 maintained in the current accounting software system. We did not review entries made for 2016-17 because a different accounting software system was used for most of this fiscal year and reporting capabilities were not available. For each year we selected one payroll date to review payroll journal entries and another entry based on dollar amount.
- We reviewed accounting records, bank reconciliations and supporting documentation to determine whether bank reconciliations were prepared monthly, agreed to the accounting records and were independently reviewed for 14 of the 21 accounts in the general, community development, sewer,

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water and solid waste funds. We selected accounts based on activity. We also used our professional judgment to select a sample of two months to perform bank reconciliations for the 14 accounts to determine whether bank balances reconciled to accounting records.

- We reviewed internal monthly reports for 12 months to determine whether reports were provided to the Council and were adequate for managing operations. We judgmentally selected two different months for each year during our audit period. We also reviewed external reports to determine whether independent reports were completed in a timely manner for our audit period.
- We reviewed the 2016-17 AUD to determine whether it was prepared and submitted accurately and by the due date. We calculated how many days late the AUD was submitted and how many days overdue for other AUDs as of the end of our fieldwork.
- We reviewed all 18 capital projects that were active during our audit scope to determine whether projects were approved with established maximum costs and sources of funding, individual accounting records were maintained to track revenues and expenditures and report information to the Council and completed projects were closed out and any unexpended funds were properly distributed.

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 Council 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 Council to make the CAP available for public review in the City Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.ny.gov/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
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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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