



Village of Sloan

Clerk-Treasurer

2024M-109 | November 2024

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Report Highlights

Village of Sloan

Audit Objective

Determine whether the Village of Sloan (Village) Clerk-Treasurer recorded and reported financial transactions accurately and in a timely manner.

Key Findings

Although the Clerk-Treasurer generally recorded financial transactions accurately, transactions were not always recorded in a timely manner. The Clerk-Treasurer also did not provide timely or accurate financial reports to the Board of Trustees (Board). As a result, the Board may have made financial decisions with inaccurate and out-of-date financial information. Specifically:

- Collections totaling \$130,515 were not deposited within 10 days, as required by New York State Village Law Section 4-408.
- The cash balances reported on the monthly Treasurer's reports, that were provided to the Board approximately six weeks after month-end, were not accurate. For example, the general fund cash balance was repeatedly understated by over \$70,000 and the capital projects fund cash balance was repeatedly understated by over \$33,000. Had the Clerk-Treasurer performed and the Board reviewed bank reconciliations these inaccuracies would have been identified and corrected.
- The Board did not periodically review the Clerk-Treasurer's financial records to ensure transactions were recorded accurately and in a timely manner.
- The Board did not annually audit the Clerk-Treasurer's records and reports as required by Village Law Section 4-408.

Recommendations

The audit report includes eight recommendations that if implemented, will improve the Clerk-Treasurer's financial procedures.

Village officials agreed with our recommendations and indicated that they have initiated corrective action.

Audit Period

June 1, 2022 – April 25, 2024

We extended our scope period to May 2017 to review accounting entries that led to discrepancies in the Village's cash balances.

Background

The Village is located in the Town of Cheektowaga in Erie County and is governed by the elected Board, composed of a Mayor and four Trustees. The Board is responsible for the oversight and general management of the Village's financial activities. One Trustee is assigned by the Board to review the Clerk-Treasurer's records.

The Board-appointed Clerk-Treasurer is the Village's chief fiscal officer and is responsible for the Village's day-to-day financial activities including collecting real property taxes and other Clerk-Treasurer fees, such as garbage and recycling totes, building permits and vital records, among other fees. The Clerk-Treasurer is also responsible for preparing a monthly list of disbursements to be approved by the Board.

Quick Facts

Population 3,775

Collections Tested From:
June 1, 2023 through November 30, 2023

	Number	Amount
Clerk-Treasurer Fee Collections	418	\$68,356
Real Property Tax Collections	1,479	\$1.2 million

Clerk-Treasurer

What Are Accurate and Timely Records and Reports?

A clerk-treasurer's financial records and reports must be complete, accurate and up to date to be useful for managing a village's operations. Generally, the clerk-treasurer should have custody of all money belonging to the village and is required by Village Law Section 4-408 to record all collections immediately upon receipt into a cash receipts journal and deposit collection within 10 days of receipt and must keep a complete and accurate account of the receipt and disbursement of all money using proper accounting procedures.

The accounting records should accurately reflect the village's financial operations and condition and the clerk-treasurer should provide periodic financial reports to the board of trustees (board) to monitor financial affairs throughout the year. The board must ensure that the clerk-treasurer maintains accurate and complete accounting records and reports.

To enhance their usefulness, the financial reports provided to the board, such as budget status reports, monthly revenue and disbursements reports and cash balance reports should include accurate and timely information on financial position, results of operations and budget status. The village clerk-treasurer is also required by New York State General Municipal Law (GML) Section 30 to file an Annual Financial Report (AFR) with the Office of the State Comptroller (OSC), within 60 days of the end of the fiscal year, to report the village's financial position and results of operations. The AFR is important fiscal tool that can provide the board with necessary information to monitor operations and provide taxpayers and other interested parties with a summary of the village's financial activities but these reports depend on accurate and timely accounting records.

In addition, Village Law Section 4-408 requires the board to audit the AFR and supporting record or engage a public accountant or assign a village employee to complete this audit.

The clerk-treasurer should also prepare monthly bank reconciliations which would assist in detecting any accounting and banking errors as they occur. These are critical procedures that serve to document the status of money held by the clerk-treasurer and provide a means to verify the accuracy of financial records.

Collections Were Not Recorded or Deposited in a Timely Manner and Monthly Reports Were Not Timely or Accurate

We reviewed all collections and disbursements made from June 1, 2023 through November 30, 2023, which included 32 deposits totaling \$1.3 million and 235 disbursements totaling \$952,205¹ and determined that disbursements were recorded accurately and in a timely manner. However, collections were not recorded in the accounting records in a timely manner and the Clerk-Treasurer did not always deposit collections in a timely manner.

¹ Refer to Appendix B for sampling information.

The Clerk-Treasurer's office maintained a manual daily cash receipts journal, but collections were only recorded in the accounting records once a month as totals by the Deputy Clerk using a summary of monthly collections prepared by the Clerk-Treasurer.

While collections were generally recorded accurately in the Village's accounting records, collections were not deposited within 10 days as required by Village Law Section 4-408. Specifically, 11 of the 15 deposits of Clerk-Treasurer fees, totaling \$54,431 included collections deposited two to nine days after the 10-day statutory deadline, and five of the 17 real property tax deposits, totaling \$76,084, included collections four to 13 days late.

The Deputy Clerk generally prepared deposits three times per month and the Clerk-Treasurer made the deposits at the bank. However, the Clerk-Treasurer told us she did not ensure deposits were made within 10 days because she was not aware that she was required to do so. While the deadline established by statute is the latest point in time at which a deposit may be made, from an internal control perspective, the best approach is to deposit funds as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur.

The Mayor and the four Trustees told us they did not periodically review financial records or collections to ensure deposits were being made in a timely manner. They believed their review of the monthly financial reports was sufficient. The Trustee assigned to oversee the Clerk-Treasurer also told us that they did not regularly review collection records or deposits due to time constraints. Moreover, the Board did not adopt any written policies or procedures for collections to indicate how often the deposits should occur.

The Clerk-Treasurer also did not prepare timely or accurate monthly financial reports. Once the total collections were entered into the accounting records, the Deputy Clerk prepared a Treasurer's report. The Treasurer's report included bank balance report, trial balance, summarized cash receipts journal and budget-to-actual report for revenues and expenditures.

However, for the six months we reviewed² the Board typically received these reports approximately six weeks after month-end. For example, the Board received the August 2023 Treasurer's report on October 25, 2023, almost 60 days after month-end. As a result, the Board may have made financial decisions and approved disbursements at the two previous monthly Board meetings with out-of-date financial information.

In addition, cash reported to the Board in the monthly bank balance report, trial balance and AFR, was not supported by cash in the bank accounts because certain financial transactions were not recorded accurately. Since prior to June 1, 2020, the reported general fund cash account balance was \$70,820 less than the bank account balance. This was primarily due an accounting entry made prior to our audit period to record the movement of cash from this cash bank account to a reserve bank account. However, the money was never transferred from the bank account. Additionally, the reported capital project fund cash account balance has been understated by \$33,127 for approximately two years because a 2021-22 fiscal year-end adjusting journal entry was not made. Also, the reported trust and

² Refer to Appendix B for sampling information.

agency fund cash account balance was overstated by \$5,732 for approximately one year due to at least six 2022-23 fiscal year accounting entries that were not made for payroll-related disbursements.

These errors were not identified until we performed our audit testing because the Clerk-Treasurer did not perform bank reconciliations. Had the Clerk-Treasurer performed timely bank reconciliations, these errors could have been identified and corrected in a timely manner.

Moreover, the Board did not perform an annual audit of the Clerk-Treasurer's records,³ and although one Trustee was assigned to oversee the Clerk-Treasurer's office, the Trustee was not conducting formal reviews or audits of the records. In addition, we reviewed the bank reconciliation included with the Village's 2020 through 2023 AFRs, and each report indicated that the bank accounts were reconciled. However, the Clerk-Treasurer was unable to find supporting documentation for the amounts listed as outstanding checks or deposits in transit that the firm used to balance the bank account to the accounting records. We contacted the firm that prepared the report, and their representative told us that they obtained the information from the bank statements and fiscal year-end Clerk-Treasurer reports provided by the Village. Because the firm was not auditing the records but only preparing the AFR, they used estimates to reconcile the bank accounts. However, estimating an unsupported amount is an inappropriate way to reconcile a bank account.

What Do We Recommend?

The Clerk-Treasurer should:

1. Deposit all collections within 10 days and record collections into the accounting records when received.
2. Resolve the cash discrepancies in the Village's accounting records.
3. Provide the Board with accurate Treasurer's reports monthly with properly reconciled cash balances.
4. Ensure all accounting entries including adjusting entries provided by the consulting firm are made in a timely manner.
5. Perform monthly bank reconciliations for all bank accounts in a timely manner, and if cash discrepancies are found make corrections as necessary.
6. Ensure the information reported in the AFR is accurate and supported by the accounting records.

³ Village Law Section 4-408

The Board should:

7. Adopt written policies and develop procedures for collections that include deposits being made within the required 10 days, appropriate deadlines for recording collections in the accounting system and what should be included in the monthly reports it receives.
8. Provide adequate oversight of the Clerk-Treasurer's duties, including periodic review of records and reports and bank reconciliations, an annual audit of the Clerk-Treasurer's records, and reviewing the annual financial report to ensure it is accurate and supported when filed.

Appendix A: Response From Village Officials



Village of Sloan

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November 8, 2024

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor
Albany, New York 12236

Re: Report of Examination 2024M-109

In response to the Examination 2024M-109, the Board has reviewed your findings and generally agrees with all eight recommendations.

For the majority audit period of examination, the office was staffed by only two employees. Their duties included not only accounting and cash management but payroll, human resources, DOH vital records, records management, inventory, fixed assets, budget development, property tax collection and grant administration. The staff supports clerical work for the Highway Department, Fire Department and Code Enforcement. The Board has approved the employment of two part-time Clerks and is currently seeking another full-time employee to adequately staff the office. Becoming adequately staffed will enable us to address the timeliness of bank deposits (1) and monthly Treasurer reports to the Board (3).

Cash discrepancies in the various bank accounts noted in the audit have all been corrected through accounting entries recommended by the consulting firm (2, 4, 6). Bank reconciliations are being performed monthly by the Clerk and Deputy Clerk. Although the Village of Sloan does have a Cash Management Procedure in place, it has not been formalized and adopted as Policy. The Policy is in development and will be approved by the end of the fiscal year (7).

The Board will review its fiscal oversight responsibilities and ensure that all Clerk-Treasurer duties are being performed timely and accurately, including daily office operations of cash management, monthly reports to the board and the Annual Financial Report.

Sincerely,

Thomas Ferrucci, Mayor
Village of Sloan

Cc. Village Board

“A Public Office is a Public Trust”

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 the Clerk-Treasurer, the Mayor, the Trustees and the Deputy Clerk and reviewed financial records and written policies to gain an understanding of the Village's financial accounting and reporting procedures.
- We reviewed Board meeting minutes and financial reports provided to the Board and interviewed Board members to determine whether the Board provided adequate oversight over financial activity.
- We used our professional judgment to select the period of June 1, 2023 through November 30, 2023 to review financial transactions, because it was the most recently completed tax collection period at the time of our audit fieldwork. We traced all collections and disbursements made during this period from the bank statements to the daily cash receipts journal, duplicate receipts of deposit slips, and Village financial reports to determine whether all cash collections and disbursements were being recorded and reported accurately. In addition, we reviewed the bank statements and traced activity to the accounting records to determine whether they were complete.
- We reviewed the financial reports provided to the Board including budget-to-actual reports, trial balances and cash balance reports to determine whether the reports were presented to the Board in a timely manner. We compared these reports to the Board-adopted budget, bank statements and other source documents including vouchers, canceled checks, press-numbered receipts and tax bill stubs to determine whether the financial reports were accurate and supported for May 31, 2020 through November 30, 2023.
- We performed bank reconciliations for November 30, 2023 and fiscal year-end 2020, 2021, 2022, 2023 and 2024 to identify cash balance differences including when they originated and the cause of the variance.
- We reviewed the cash balances reported in the Village's AFRs filed with OSC and compared the reported cash balances to the general ledger cash balances and interviewed the consultant who prepared the AFR to determine whether the fiscal year-end bank reconciliations were accurate and supported.

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 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

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Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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