



Town of Volney

Financial Operations Oversight

2024M-93 | November 2024

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Report Highlights

Town of Volney

Audit Objective

Determine whether the Town of Volney (Town) Town Supervisor (Supervisor) performed his financial responsibilities and the Town Board (Board) provided adequate oversight of financial operations.

Key Findings

The Supervisor did not perform his financial responsibilities, and the Board did not provide adequate oversight of financial operations. As a result, the Town may have levied more taxes than necessary. Specifically:

- The Supervisor did not maintain financial accounting records or present records to the Board for audit as required by New York State Town Law (Town Law), Section 123. As a result, the Board was unable to monitor the Town's overall finances or conduct required annual audits.
- The Board adopted budgets for fiscal years 2023 and 2024 that were not based on prior-year results of operations.
- Transparency was impaired because the Town's 2021, 2022 and 2023 Annual Financial Reports (AFRs), a report of a town's fiscal position and results of operations, were not filed with the New York State Office of the State Comptroller (OSC) in accordance with New York State General Municipal Law (GML), Section 30.

Recommendations

The audit report includes 10 recommendations to help the Supervisor perform his financial responsibilities and the Board to provide adequate oversight of financial operations.

Audit Period

January 1, 2023 – April 30, 2024. We expanded our scope period back to January 1, 2020 and forward to July 1, 2024 to determine whether AFRs and extensions were filed.

Background

The Town is located in Oswego County and is governed by the elected Board composed of the Supervisor and four Board members.

The Board is responsible for the general oversight of operations and finances. The Supervisor is the chief financial officer and is responsible for the Town's day-to-day management and overall financial operations. During our audit period, the Town had two Supervisors; two bookkeepers and one accountant, refer to Appendix A for more detail.

Quick Facts

Population	5,671
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2024 Appropriations	\$2.9 million
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2024 Tax Levy	\$2.2 million
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Unfiled AFRs as of July 1, 2024

Year	Days Late
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2021	822
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2022	457
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2023	92
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Financial Operations Oversight

What Are the Town Supervisor's Financial Responsibilities?

A town supervisor (supervisor) is responsible for maintaining accurate financial accounting records that summarize the town's financial activities and document the assets, liabilities, fund balance and results of operations (revenues and expenditures) of each town fund. For example, the supervisor should ensure all receipts and disbursements are properly recorded by reconciling bank account balances with the accounting records. Any differences should be identified promptly and investigated, and records adjusted to ensure that all financial activities are properly accounted for in a timely manner and cash is safeguarded. If the supervisor assigns financial duties to a bookkeeper, the supervisor must provide sufficient oversight to ensure the bookkeeper maintains suitable records, documents financial information accurately and in a timely manner, and provides useful financial reports to the town board (board).

The supervisor should provide the board with monthly financial reports, including an accounting of all money received and disbursed and year-to-date budget-to-actual comparisons of revenues and expenditures for each fund. In addition, Town Law, Section 123 requires the supervisor to annually present their records and reports to the board of all money received and disbursed during the year for audit. The supervisor is also required by GML, Section 30 to file an AFR, a report of a town's fiscal position and results of operations, with OSC within 60 days of the end of the town's fiscal year. It is an important fiscal tool that provides the board with necessary information to monitor town operations and provides transparency to residents, taxpayers and other interested parties by providing them with a summary of the town's financial activities.

The Supervisors Did Not Maintain Any Accounting Records

The former and current Supervisors did not perform or ensure all financial duties of the office were completed, including:

- Maintaining accounting records,
- Preparing bank reconciliations,
- Providing the Board with monthly financial reports or
- Filing the AFR with OSC.

Although the Supervisors appointed bookkeepers during their terms, they did not have written policies or procedures that clearly defined the duties and responsibilities assigned to the bookkeeper. The only duties carried out by the bookkeepers were making deposits; preparing claim vouchers, abstracts (listing of audited claims) and checks for disbursements; processing payroll;¹ making online payments for utilities; and collecting monthly bank statements. As a result, the Supervisors and the bookkeepers did not maintain any accounting records (i.e., collections and disbursements were not recorded), prepare bank reconciliations, or provide the Board with monthly financial reports or annual records and reports during the audit period. Therefore, the Board was unable to monitor the Town's overall finances,

¹ As of January 2024, payroll processing has been outsourced to a third-party company.

periodically compare the Town's revenues and expenditures against the annual budgeted revenues and appropriations or conduct the required annual audits.

We reviewed all bank statements and canceled check images from our audit period for any inappropriate transfers, debit card² transactions, withdrawals or checks that may not have been for Town purposes. Of the 48 debit card transactions totaling approximately \$14,200, 12 transactions totaling over \$1,300 were not adequately supported to allow a reviewer to conclude they were an appropriate Town expenditure. In addition, 15 transfers, totaling approximately \$5,600, were for appropriate Town purposes, but were made to vendors without prior approval from the Board.

We reviewed known source documents for expected revenues from New York State and Oswego County during our audit period totaling over \$1.4 million and traced those deposits to Town bank accounts with no discrepancies. In addition, we traced approximately \$135,100 collected by the Town Clerk and remitted to the Supervisor and determined that the amount agreed.

Without sufficient oversight to ensure records, reports and bank reconciliations were accurate, complete and timely, Town funds were at an increased risk of errors, theft, misuse or abuse that would remain undetected or uncorrected. Furthermore, without any accounting and reporting of revenues, expenditures, assets, liabilities and fund balances, the Board's ability to make sound financial decisions is limited.

The Supervisors Did Not File the Required AFRs

The Supervisors did not file AFRs for the 2020 through 2023 fiscal years in a timely manner, and they did not file for extensions.³ Although the Town hired an accountant in April 2024 for bookkeeping services and support, including creating the accounting records and retroactively filing the 2021, 2022 and 2023 AFRs with OSC, the AFRs have not been filed as of July 1, 2024 and are 92 to 822 days late. Not properly preparing and filing AFRs in a timely manner hinders transparency and does not allow the public and other stakeholders the ability to monitor Town operations.

How Should the Town Board Provide Oversight of Town Financial Operations?

A board is responsible for ensuring that town resources are adequately safeguarded and accounted for and that financial transactions are properly authorized. The board should monitor financial operations by conducting a thorough monthly audit of claims and periodically reviewing the supervisor's financial reports and supporting records.

² Using a debit card allows a payment to be directly withdrawn from the Town's bank account at the time of purchase before approval is authorized and provides no opportunity for the Town officials to determine whether the purchase is for legitimate purposes before it is paid.

³ If granted, the extension would extend the deadline an additional 60 days

A board is also responsible for adopting realistic revenue and expenditure estimates in the budget, based on historical trends and other known factors. Once the budget has been adopted, the board is responsible for monitoring expenditures and maintaining a reasonable amount of fund balance as a cushion for unforeseen expenditures and cash flow. If the amount retained is excessive, the board might be imposing more taxes than necessary to provide services.

An audit of claims is accomplished by thoroughly reviewing and approving claims before payment to ensure that disbursements are for legitimate purposes. Internal controls should be in place to help ensure purchases are made at the lowest prices and in compliance with requirements and disbursements are for legitimate town expenditures and properly supported by an approved abstract. A claim package should contain adequate detail and sufficient documentation for the board to make that determination.

Furthermore, an annual audit of the Supervisor's records and reports provides board members an assessment of whether public money is being spent and handled properly. It also identifies conditions in need of improvement and provides a review of financial operations, which is essential to effective oversight. 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 board should perform this function on or before January 20 in accordance with Town Law Section 123.

The Board Did Not Provide Adequate Oversight of Financial Operations

Financial Reports –The Supervisor did not provide nor did the Board request monthly financial reports that would enable Board members to effectively monitor the Town's financial operations.

While the Board members received abstracts showing disbursements during the month, they did not receive or ask for reports detailing all money received and disbursed, ending cash balances or detailed budget-to-actual comparisons of revenues and expenditures for each fund due to the lack of accounting records.

Budgeting – The Board adopted budgets for fiscal years 2023 and 2024 that were not based on prior-year results of operations. Instead, the current Supervisor told us that he prepared the 2024 budget by adding 2 percent to the 2023 budgeted appropriations, without looking at actual expenditures.

Because the Board did not use any accurate or current financial accounting data in developing a budget, Board members had no way of knowing the Town's current financial position and what funds were needed to effectively operate the Town. Based on the cash analysis we performed, we estimated the Town's combined general and highway funds' cash balance as of December 31, 2022 was over \$1 million, or nearly half of the 2023 budgeted appropriations. As of December 31, 2023, this amount decreased to approximately \$826,000, or 40 percent of the 2024 budgeted appropriations. However, without knowing the Town's actual expenditure trends or future capital plans, it is difficult to determine whether this is an appropriate fund balance level to maintain.

The current Supervisor acknowledged that the budgeting practice was inadequate and stated that the 2-percent increase was based on his misunderstanding of the property tax cap law.⁴ Two members of the Board told us that the Board relied on the Supervisor's estimates and the 2-percent annual budget increase. As a result, the Supervisor and Board made significant financial decisions arbitrarily, including the annual tax levy to fund Town operations, without meaningful information to base or support their decisions.

Importantly, without complete financial reports or proper budgeting practices, the Board cannot exercise adequate oversight of financial operations and be aware of the Town's true financial condition. As a result, the Board may have levied more taxes than necessary.

Audit of Claims – We reviewed 68 non-payroll cash disbursements from the bank statements totaling \$116,287 to determine whether they were paid as authorized, adequately supported, properly recorded and for proper purposes. We identified minor discrepancies such as a \$101 duplicate payment and a \$266 payment with lack of support that were discussed with officials. None of the 68 disbursements were recorded in any accounting records. Also, because all of the March 2024 claim vouchers for the Town's highway fund, totaling \$23,242, lacked the date of Board review, we could not determine whether the Board properly audited and approved the claims prior to payment.

In addition, claims did not have adequate documentation to support the Board ensured that the required competition was sought for fuel purchases. The Town purchased fuel totaling \$84,212 during our audit period from a local vendor without seeking competition as required by law.⁵ The Highway Superintendent told us he has been using the same local vendor for over 12 years because it was convenient to do so. However, had the Board ensured officials bid or purchased fuel from a State contract vendor, the Town may have saved approximately \$3,300, or 4 percent. To obtain the rates offered through State contracts, the Town would need to file necessary requirements with the New York State Office of General Services prior to the awarding of such contracts or receive agreement from a State contract vendor to be added to its delivery schedule after the awarding of such contracts.

Annual Audit – The Board did not audit or contract with an independent public accountant to audit the Supervisors' accounting records. The current Supervisor and two Board members told us that they were unaware of the requirement for the annual audit of the Supervisor's records.

Without proper audits of claims and annual audits of records and reports, the Board and Town officials are at risk of not being able to detect and correct errors, irregularities or potentially fraudulent activity in a timely manner. In addition, the Board's ability to monitor financial operations is diminished.

4 Chapter 97 of the New York State Laws of 2011 establishes a limit on the annual growth of property taxes levied by local governments to two percent or the rate of inflation, whichever is less.

5 GML generally requires a board to advertise for bids on purchase contracts over \$20,000 and public works contracts over \$35,000.

Town officials cannot ensure that financial duties are being adequately completed without training to educate them of the responsibilities of the office. For guidance on carrying out the duties of the office, Town officials should refer to our publication *Information for Town Officials*.⁶ (See Figure 1)

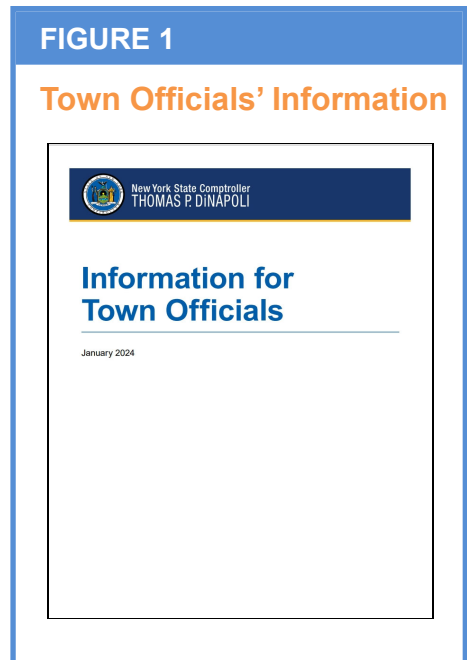
What Do We Recommend?

The Supervisor should:

1. Develop a written policy or procedures that clearly defines the duties and responsibilities of the bookkeeper.
2. Ensure the bookkeeper is maintaining complete, accurate and timely accounting records and financial reports, including performing bank reconciliations.
3. Provide the Board with records and reports for an annual audit and monthly financial reports, including budget-to-actual comparisons, balance sheets including fund balance amounts and reconciled cash balances for each fund.
4. Discontinue the practice of using debit cards and pay claims only after the Board has audited and approved them.
5. File the delinquent AFRs with OSC and ensure future AFRs are filed within 60 days after the close of the fiscal year, or file for an extension.

The Board should:

6. Require the Supervisor to provide monthly financial reports that can be reviewed and used to make informed financial decisions.
7. Develop and adopt annual budgets that contain reasonable estimates of revenues and expenditures based on historical results of operations and/or other known factors.
8. Perform a deliberate and thorough audit of all claims and supporting documentation before approving payments.
9. Audit or provide for an audit of the Supervisor's financial records and reports on an annual basis.



⁶ <https://www.osc.ny.gov/files/local-government/publications/2020/pdf/information-for-town-officials.pdf>

The Board and the Supervisor should:

10. Attend applicable and beneficial training sessions to better understand and perform their financial duties. Training provided by OSC can be found at <https://www.osc.ny.gov/local-government/academy>.

Appendix A: Changes in Supervisors and Staff

The current Supervisor took office in February 2023 while the former Supervisor served from October 2020 to February 2023. To assist with the financial duties, the former Supervisor appointed a bookkeeper who served from December 2020 to January 2024. The current bookkeeper was subsequently appointed by the current Supervisor. In addition to the current bookkeeper, the current Supervisor hired an accountant in April 2024.

Appendix B: Response From Town Officials



1445 County Route # 6, Fulton, NY 13069

Supervisor Garry Stanard
Deputy Supervisor James LaDue
Councilor Ariane Hamblin-Smith
Councilor Margaret Rusaw
Councilor Brad Chesbro

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October 28, 2024

Office of the NYS Comptroller
Division of Local Government & School Accountability
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Re: Town of Volney – Audit 2024M-93 – Response from Town Officials

Please accept this letter as the response from the Town of Volney to the Audit Report conducted by the Office of the NY State Comptroller. The Supervisor and Town Board acknowledge and accept the findings and recommendations. This letter will also serve as the Corrective Action Plan.

The Supervisor has or will take the following actions in order to comply with the recommendations of this audit:

- 1) The bookkeeper's duties will be clearly defined and put in writing.
- 2) The bookkeeper is working with [REDACTED] to get the budget and receipts for 2024 entered into the accounting program. Once complete, monthly reports, including bank reconciliations, will be done on a regular basis.
- 3) The Board will be provided with monthly financial reports, including a budget-to-actual comparison, balance sheets including fund balance amounts and reconciled bank statements.
- 4) Debit card use has been discontinued. The Town will have a credit card for emergency purchases.

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- 5) The Supervisor hired a forensic accountant early in 2024 to complete and file the delinquent AFRs with OSC. The Supervisor will ensure that future AFRs will be filed within 60 days after the close of the year or an extension will be requested.

The Board has or will take the following actions in order to comply with the recommendations of this audit:

- 1) The Board shall request monthly financial reports from the Supervisor.
- 2) The Board shall adopt an annual budget based on historical operations and reasonable estimates of revenues and expenses.
- 3) The Board shall continue to review all claims as contained in the abstract, and verify supporting documentation provided with the payment vouchers, before approving payments.
- 4) The Board shall personally audit or contract with an independent public accountant to audit the accounting records of the Town.
- 5) The Board shall attend applicable training sessions to better understand and perform their financial duties.

If you have any questions, please feel free to call me 315-593-8288. Thank you.

Sincerely,

Garry Stanard
Supervisor

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials and reviewed Board meeting minutes and policies to gain an understanding of the Town's budget development process and financial accounting, reporting and oversight practices, including whether annual audits of the Supervisor's records were performed.
- We reviewed all bank statements between January 2023 and April 2024 and canceled check images for signatures, checks written to cash, inappropriate transfers, cash withdrawals, checks for personal expenditures and debit card transactions.
- We reviewed the 2023 New York State payments from the Open Book New York website and traced them to deposits into Town bank accounts.
- We reviewed disbursement records from Oswego County and traced all payments to the Town between January 2023 and April 2024 to deposits in Town bank accounts. We also verified that Town Clerk collections were remitted to the Supervisor.
- We reviewed OSC records of AFR filings to determine whether the reports were completed and filed on a timely basis.
- We used a random number generator to select two months between January 2023 and April 2024 and reviewed all checks cleared during these months from the Town's general fund and highway fund accounts, for a total of 68 disbursements totaling \$116,287, to determine whether they were Board-approved, properly documented and compliant with the bidding requirements. If bidding requirements were not followed, we compared prices charged to the Town to State contract prices from January 2023 to April 2024 to determine whether there were potential cost savings.
- We reviewed the engagement letter, disbursement records, reports and related communications to determine the scope and status of a 2020 Town financial audit.
- We reviewed the 2023 and 2024 adopted budgets to determine whether they were adequately developed using accurate and current data.
- We analyzed cash balances as appeared on bank statements to determine the Town's 2022 and 2023 fiscal year-end cash balance and calculated the cash balance as a percentage of the following year's budgeted appropriations.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit*, 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 D: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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

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

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