

Town of Wells

Records and Reports

2024M-59 | August 2024

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Report Highlights

Town of Wells

Audit Objective

Determine whether the Town of Wells (Town) Supervisor maintained complete, accurate and timely accounting records and reports to allow the Town Board (Board) to effectively manage the Town's financial operations.

Key Findings

The Supervisor did not maintain complete, accurate and timely accounting records, and inadequate financial reports were provided to the Board. As a result, the Board lacked reliable records and reports to manage the Town's financial operations.

- All nine balance sheet accounts for 2022 and six accounts (67 percent) for 2023 were not accurate. Two accounts were overstated by a combined total of \$1.4 million and 13 accounts were understated by a combined total of \$451,664.
- Of the 10 revenue accounts we reviewed as of December 31, 2022 and December 31, 2023, two accounts were overstated by a total of \$22,987 and two were understated by a total of \$7,642.
- Of the 10 expenditures accounts we reviewed as of December 31, 2022 and December 31, 2023, three accounts were overstated by \$21,392 and three were understated by \$47,964.
- Bank reconciliations were not always performed. As a result, adjusted bank balances did not agree with general ledger cash balances at month-end for 18 of the 40 (45 percent) bank reconciliations we performed.
- The Supervisor did not provide adequate monthly financial reports to the Board and the Board did not annually audit the Supervisor's records as required by New York State Town Law (Town Law) Section 123.

Key Recommendations

The audit report includes five recommendations to help the Board improve accounting records and reports.

Town officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Audit Period

January 1, 2022 – January 31, 2024

Background

The Town is located in Hamilton County and governed by an elected five-member Board, including the Supervisor.

The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for the receipt, disbursement and custody of Town money, maintaining accounting records and providing financial reports to the Board. The Supervisor designated a bookkeeper to handle the day-to-day financial operations and prepare periodic financial reports.

The former Supervisor resigned effective November 30, 2022. The Board appointed a Board member to perform the Supervisor's duties from November 30, 2022, until December 31, 2023, to complete the remainder of the former Supervisor's elected term. The current Supervisor was elected to serve a two-year term that began on January 1, 2024.

Quick Facts

2024 Appropriations (all funds) \$2.3 million

Inaccurate Balance Sheet Accounts and Amounts During Our Audit Period

Overstated	2	\$1,425,204
Understated	13	\$451,664

Records and Reports

How Should a Town Supervisor Maintain Accounting Records?

Town supervisors should maintain complete, accurate and timely accounting records of all funds received and disbursed. The supervisor should ensure accounting records document the assets, liabilities, fund equity and results of operations (revenues and expenditures). If the supervisor assigns these duties to a bookkeeper, the supervisor still maintains the responsibility for the accuracy and timeliness of the accounting records. As such, the supervisor should provide adequate oversight of the work performed by the bookkeeper to ensure that accounting records are complete, accurate and work is performed in a timely manner, and that the bookkeeper provides useful reports to the town board.

The Supervisor Did Not Ensure Accurate Accounting Records Were Maintained

The Supervisor did not provide oversight of the bookkeeper's duties related to maintaining the accounting records. As a result, there were significant deficiencies with the Town's accounting records, including inaccurate recording of balance sheet, revenue and expenditure accounts.

Balance Sheet – We reviewed nine balance sheet accounts¹ recorded in the accounting records as of December 31, 2022 and December 31, 2023. The balances in all nine accounts for 2022 and six accounts (67 percent) for 2023 were not accurate. Two accounts were overstated by a combined total of \$1,425,204 and 13 accounts were understated by a combined total of \$451,664.

For example, as of December 31, 2022, the general fund, highway fund and water district had accounts payable balances that were understated by \$74,359 in total (Figure 1). This primarily occurred because the bookkeeper did not properly record accrued expenditures at fiscal year-end 2022.

Figure 1: Accounts Payable Balances – December 31, 2022

Fund	Amount Recorded	Actual Balance	(Understated)
General	\$39,490	\$53,215	(\$13,725)
Highway	7,161	61,584	(54,423)
Water District	3,139	9,350	(6,211)
Total	\$49,790	\$124,149	(\$74,359)

¹ Refer to Appendix B for information on our sampling methodology.

In addition, as of December 31, 2022, the cash balance in the general fund had a recorded balance of \$1,519,686. However, the cash balance should have been \$147,603. The cash balance in the general fund was overstated by \$1,372,083 because the former bookkeeper did not properly record financial transactions in the accounting records prior to our audit period. Furthermore, the former Supervisor did not ensure the bookkeeper performed bank reconciliations prior to January 2023. Without adequate oversight by the Supervisor to ensure bank reconciliations were completed, the inaccuracies were carried forward into subsequent periods and not identified by officials.

Revenues and Expenditures – We reviewed 10 revenue accounts² recorded in the accounting records as of December 31, 2022 and December 31, 2023. Two accounts (20 percent) in each year were not accurate. Two accounts were overstated by a combined total of \$22,987 and two accounts were understated by a combined total of \$7,642. For example, fines and forfeited bail were overstated by \$22,793 in 2022 and unmetered water sales were understated by \$3,112 in 2023.

We reviewed 10 expenditure accounts³ recorded in the accounting records as of December 31, 2022 and December 31, 2023. Three accounts (30 percent) in each year were not accurate. Three accounts were overstated by a combined total of \$21,392 and three were understated by a combined total of \$47,964. For example, expenditures for technical services were understated by \$31,897 in 2022 and expenditures for engineer services were overstated by \$15,968 in 2023.

These discrepancies occurred because the bookkeeper did not properly accrue revenue and expenditures at fiscal year-end, did not record financial transactions in the accounting records properly or in a timely manner, or record revenue and expenditures to the proper account codes.

The lack of adequate oversight of the bookkeeper’s work allowed inaccuracies to continue without being detected and corrected. Without reliable accounting records, the Board’s ability to manage the Town’s financial condition and make sound financial decisions is limited.

Why Should the Board and Supervisor Ensure Bank Reconciliations Are Prepared and Reviewed?

Reconciling bank account balances with the accounting records is essential to ensure financial transactions are accurately recorded in a timely manner. Monthly bank reconciliations provide a way for the supervisor to identify, correct

² Ibid.

³ Ibid

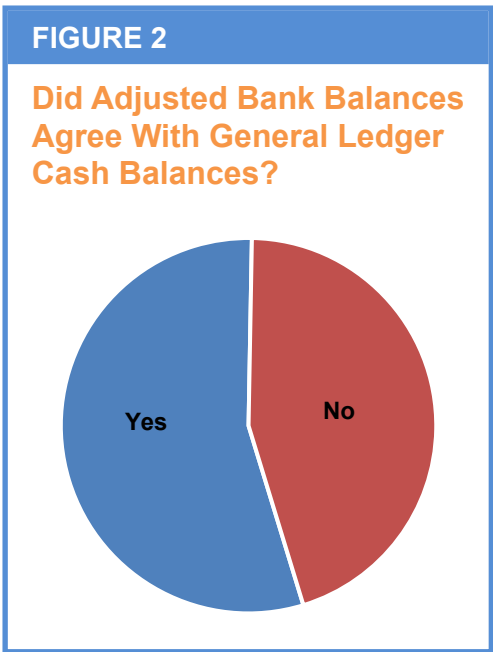
and document differences between the town's records and bank transactions. Someone independent of recording collections, disbursements and journal entries should perform or, at a minimum, review bank reconciliations.

The Board and Supervisor Did Not Ensure Bank Reconciliations Were Always Prepared or Reviewed

We reviewed eight bank accounts that were open during the five months we selected during our audit period⁴ to determine if bank reconciliations were prepared monthly, properly prepared and independently reviewed. The former Supervisor did not ensure that 19 of the 40 bank reconciliations (48 percent) were prepared during our sample months. Specifically, bank reconciliations were not prepared for all eight bank accounts for January 2022 and December 2022, and the disbursement bank account, which had been used as a clearing account for January 2023, December 2023 and January 2024. In addition, no one independently reviewed the bank statements and the bank reconciliations the bookkeeper prepared during our audit period.

We prepared 40 bank reconciliations for the eight bank accounts that were selected during our five sample months. The adjusted bank balances did not agree with the general ledger cash balances at month-end for 18 of the 40 bank reconciliations (45 percent) (Figure 2).

The discrepancies ranged from the adjusted bank balance exceeding the general ledger cash balance by \$321,633 to the general ledger cash balance exceeding the adjusted bank balance by \$1,372,083. These discrepancies were carried forward from accounting errors that occurred prior to our audit period. The current bookkeeper stated that the former Supervisor and former bookkeeper did not record financial transactions in the accounting records properly or in a timely manner. Further, these inaccuracies were not identified by the bookkeeper because the former Supervisor did not require her to prepare bank reconciliations prior to January 2023. In addition, the Board



⁴ Ibid.

was not aware of the inaccuracies because the Supervisor did not provide, nor did the Board request, supporting documentation for cash balances.

These discrepancies were eliminated because the bookkeeper recorded the December 2022 bank balances as the opening general ledger cash balances during the transition to a new accounting application in January 2023. We reviewed bank reconciliations in our sample months that were prepared by the bookkeeper in 2023 and did not note any significant discrepancies. In addition, we reviewed bank activity along with the corresponding financial transactions recorded in the accounting records for the five sample months we selected and did not note any inappropriate transactions.

Had the Board or Supervisor ensured bank reconciliations were prepared for all bank accounts, they may have identified and corrected recording errors in the accounting records.

How Should the Supervisor Report Financial Information?

A town supervisor is required by Town Law Section 125 to submit a monthly report to a town board detailing all money received and disbursed during the month. The report should also include reconciled cash balances for each fund and comparisons of actual revenues and expenditures to amounts estimated in the annual budget (budget status reports).

The Supervisor Did Not Provide the Board with Adequate Monthly Reports

The Supervisor did not provide the Board with adequate monthly financial reports that would enable it to effectively monitor the Town's financial operations. For example, monthly budget status reports were not provided to the Board.

Instead, the Board was provided with monthly reports detailing all money received and disbursed, along with bank balances. We reviewed five monthly reports during our audit period⁵ and found that all five monthly reports were not accurate. For example, recorded disbursements were overstated by \$13,772 for January 2024 and recorded receipts were understated by \$19,645 for January 2022. In addition, none of the monthly reports contained adjusted bank balances and the bookkeeper only reported four of the eight (50 percent) bank accounts that were open during the five months we selected. The bookkeeper told us that she did not report the other four bank accounts because there was little to no activity.

5 Ibid

These discrepancies occurred because the bookkeeper did not record all receipts and disbursements in the monthly report or recorded receipts and disbursements from prior months. In addition, the monthly reports did not include financial information for the capital project fund.

Without complete and accurate monthly financial reports, the Board is unaware of the Town's true financial condition and cannot exercise adequate oversight of financial operations.

Why Should the Board Perform an Annual Audit of the Supervisor's Records?

To comply with Town Law Section 123, a town supervisor must submit an annual accounting to a town board on or before January 20 for all funds received and disbursed during the preceding year and produce all books, records, receipts and canceled checks for inspection by the board, 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 a board fulfill its 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 a board oversee a town's financial operations.

The Board Did Not Perform an Annual Audit of the Supervisor's Records

The Supervisor did not provide an annual accounting and the Board did not audit, or contract with an independent public accountant to audit, the Supervisor's records for 2022 and 2023. The Board told us that they were not aware of the requirement to annually audit the Supervisor's records. Without a proper audit, the Board's ability to provide adequate oversight of financial operations is diminished. Had the Board performed the annual audits, the deficiencies found during our audit could have been identified and corrected sooner.

What Do We Recommend?

The Supervisor should:

1. Oversee the work performed by the bookkeeper, to ensure that the accounting records are complete and accurate and work is performed in a timely manner.
2. Prepare and provide the Board with accurate monthly reports which include all money received and disbursed, budget-to-actual comparisons and reconciled cash balances for each fund.

The Board and Supervisor should:

3. Ensure accounting records are complete, accurate and maintained in a timely manner.
4. Ensure accurate bank reconciliations are prepared monthly and, along with bank statements, are independently reviewed and approved.

The Board should:

5. Annually audit the Supervisor's records and reports or contract with an independent public accountant to conduct the audit.

Appendix A: Response From Town Officials



TOWN OF WELLS

BETH HUNT
TOWN SUPERVISOR

August 12, 2024

Office of the NY State Comptroller
Gary Gifford, Chief of Municipal Audits
One Broad Street Plaza
Glens Falls, NY 12801-4396

Re: TOWN OF WELLS
RECORDS AND REPORTS
2024M-59

RESPONSE TO AUDIT

This response is being written by the new Town Supervisor, who took office on January 1, 2024. In coming into office in January, the NYS Comptroller's auditor had been on site for several months in 2023 and continued on-site well into 2024. As a new Supervisor, it was a welcome sight. What compelled me to become the Town Supervisor was the growing lack of faith by the Town's constituents in the past leadership and information being provided. There have been three different Supervisors and two bookkeepers since 2018 mingled with several very difficult situations arising, namely a devastating flood to the town in October 2019 and the Covid pandemic in 2020. I knew there was going to be some challenges. The State auditor was very helpful in his guidance when we had questions. The auditor was also very gracious and patient with the office, in trying to supply all the records he needed to perform an audit of the years 2022/2023. With the present staff, not everyone was involved with or even worked at the Town during the years being audited.

What transpired from the audit was not surprising and I feel the recommendations should really go a long way in righting this ship. We have embraced the audit's recommendations and if not already implemented, we

look forward to completing them for the betterment of the Town of Wells. This audit response also includes our corrective action plan (CAP) to the recommendations.

RECOMMENDATIONS/CAP

- 1) Supervisor to oversee the work performed by the bookkeeper to ensure that the accounting records are complete and accurate and work is performed in a timely manner.

When coming on-board in January 2024, it was apparent that the present bookkeeper had made significant strides in assuring accounting records were more complete and being performed in a timely manner. It was also apparent that the present bookkeeper was buried with all the various tasks and felt very overwhelmed. She was handling all the receivables, disbursements, payroll preparation, as well as handling clerical tasks for the Highway Superintendent and the Water Superintendent and the still on-going FEMA work from the devastating flood to the Town's infrastructure. Although some things were corrected in 2023 which allowed the present bookkeeper to reconcile bank statements and have faith in the financial records and reports, so much had been neglected or started and never completed by the past three Supervisors and past bookkeeper that the work was daunting.

As Supervisor, with extensive governmental experience, I work side by side with the present bookkeeper to keep up with the daily demands, but we have also tackled tasks that just were not possible to be done by one person with no Supervisor help or support in 2023. We continue to work side by side and are, after seven months, seeing some progress. This Supervisor will continue to oversee and ensure the financial records are accurate and timely.

-
- 2) Prepare and provide the Board with accurate monthly reports which include all money received and disbursed, budget to actual comparisons and reconciled cash balance for each fund.

The Board is presently receiving accurate monthly reports at each Board meeting. Budget comparison reports are being furnished quarterly at Committee meetings, which is a new set up to this Board. At these meetings, items are discussed so that the Board can provide the Supervisor with some direction on issues. This can translate into Resolution preparation for future monthly Board meetings.

- 3) Ensure accounting records are complete, accurate and maintained in a timely manner.

The Supervisor will accomplish this recommendation by continuing to work closely with the bookkeeper to assure our records are complete and accurate and to also provide a cross check. At each Board meeting, I encourage Board members to review all audits for funds, not necessarily just the funds for the Committees they serve on. There are now three signatures on each voucher for audit approval and I will continue to press for Board participation in these reviews.

- 4) Ensure accurate bank reconciliations are prepared monthly and along with bank statements, are independently reviewed and approved.

As Supervisor, I will ensure that bank reconciliations are prepared monthly and will review different accounts each month. The present bookkeeper is very diligent in preparing the bank reconciliations each month to ensure accuracy. She has found that being able to prepare these each month in a timely manner very much helps to identify any discrepancies that may arise and get

them corrected immediately so as to not carry any inaccuracies further which has been a problem in past bookkeeping records. It is recommended by me, and I will implement a review periodically of all the different bank reconciliations by the audit committee members and seek their approval. This will be done immediately.

- 5) Annually audit the Supervisors records and reports or contract with an independent public accountant to conduct the audit.

By the 20th day of January following the year end, the Board audit committee should be prepared to audit the books. This can be accomplished by referring to the Comptroller's website for guidance and by using the prepared check list available for this type of audit.

If the Board is not comfortable with the above audit method, I will discuss during budget preparation time the possibility of contracting with an independent accounting firm to perform the year-end audit. Quotes can be obtained, and it can be budgeted for.

Thank you for this opportunity to respond to these recommendations. The Town Board has reviewed this response, and it has be approved by the Town of Wells Board which includes the audit committee.

Beth Hunt
Town of Wells Supervisor

8/12/2024
Date

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 officials and reviewed various financial records and reports and Board minutes to gain an understanding of the Town's procedures for maintaining accounting records, preparing bank reconciliations, reporting to the Board and the Board's oversight of financial operations, including the annual audit process.
- We used our professional judgement to select a sample of nine balance sheet accounts recorded in the accounting records as of December 31, 2022 and December 31, 2023 to determine whether they were properly recorded and supported. Our sample for both years consisted of three general fund accounts, three highway accounts and three water district accounts. We selected these accounts based on fund, balance amounts, and to include both asset and liability accounts.
- We used our professional judgement to select a sample of 10 revenue accounts and 10 expenditure accounts recorded in the accounting records as of December 31, 2022 and December 31, 2023, to determine whether they were supported and recorded in the proper fund. Our sample of revenues for both years consisted of five general, three highway and two water fund accounts. We selected these accounts based on fund and account balance amount. Our sample of expenditures for both years consisted of seven general, two water and one highway fund account. We selected these accounts based on fund, balance amounts and to include expenditure accounts with various object codes.
- We used our professional judgement to select five months within our 25-month audit period to determine whether monthly bank reconciliations were prepared, agreed with the general ledger and were independently reviewed. We selected the months of January 2022, December 2022, January 2023, December 2023 and January 2024 to capture the beginning and end of each fiscal year in our audit period. This review consisted of eight bank accounts for all five months in our sample.
- We used our professional judgement to select five months within our 25-month audit period to review the Supervisor's reports provided to the Board to determine whether they included all receipts and disbursements for the corresponding month, budget status reports and reconciled cash balances. We selected the months of January 2022, December 2022,

January 2023, December 2023 and January 2024 to capture the beginning and end of each fiscal year in our audit period.

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 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

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

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