

Town of Stamford

Annual and Claims Auditing

MARCH 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- Annual and Claims Auditing. 2**
 - How Does the Board Ensure That Audits of Records and Claims Are Performed? 2
 - The Board Did Not Annually Audit All Officials’ Records 2
 - The Board Did Not Properly Audit Claims 3
 - What Do We Recommend? 3

- Appendix A – Response From Town Officials 4**

- Appendix B – Audit Methodology and Standards 5**

- Appendix C – Resources and Services. 7**

Report Highlights

Town of Stamford

Audit Objective

Determine whether the Board ensured that audits of records and claims were performed.

Key Findings

The Board did not:

- Annually audit the records of the Supervisor and Town Clerk.
- Perform a deliberate and thorough audit of claims.

Key Recommendations

- Annually audit the records of all officials who receive and disburse funds.
- Perform a deliberate and thorough audit of all claims.

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

Background

Town of Stamford (Town) is located in Delaware County. The Town is governed by an elected Town Board (Board) composed of four Board members and the Supervisor. The Board is responsible for the general oversight over all operations and finances.

The Supervisor is the chief executive, chief fiscal and budget officer. The Supervisor hired a bookkeeper who handles the day-to-day financial operations.

The elected Town Clerk (Clerk) serves as the Clerk of the Board and collects fees for a variety of purposes, including marriage, dog, and environmental licenses, birth and death certificates, and certified copies. The Clerk is also responsible for collecting and remitting the real property tax levy to the Town and County. The elected Justice is responsible for adjudicating vehicle and traffic, criminal, civil and small claim cases within the Court's jurisdiction.

Quick Facts

Population	2,267
2018 Appropriations	\$1.04 million
2018 Real Property Tax Levy	\$811,810

Audit Period

January 1, 2017 – April 30, 2018

Annual and Claims Auditing

How Does the Board Ensure That Audits of Records and Claims Are Performed?

The board fulfills its oversight responsibility, in part, through annually auditing the records of town officers and employees responsible for receiving and disbursing money and auditing and approving all claims against the town before payment. These audits provide assurance that public funds are handled properly, identify conditions that need improvement and provide oversight of financial operations.

The annual audits should be thorough and the results should be documented in the board minutes. When done properly, such audits can provide board members with a better understanding of those operations, which is essential to effective oversight.

The board is required to audit and approve all claims against the town before payment. The audit of claims should be a deliberate and thorough process allowing the board to determine whether proposed payments are for proper purposes.

The Board Did Not Annually Audit All Officials' Records

The Board has not annually audited the records of all officials who received or disbursed cash. Although two Board members annually audited the Justice's records, the Board did not annually audit the Supervisor's and Clerk's records.

The Supervisor told us that the Board audits the Justice's records because the New York State Unified Court System requests documentation of the audit. Both the Supervisor and the Clerk told us that they make their records available to the Board each year, but Board members do not review them. The Supervisor stated that he informally reviews the Clerk's records, including bank statements, annually. However, this review does not fulfill the Board's annual audit requirement. As a result, the Board's ability to monitor financial operations was diminished.

For our audit period, we reviewed all 134 outgoing transfers, debit memos and bank withdrawal transactions totaling \$5 million, which were listed on the Clerk's and Supervisor's bank statements, and 13 nonpayroll disbursements totaling \$1.3 million made by the Clerk to determine whether these disbursements were for appropriate purposes. We also reviewed 19 payroll payments for six employees with gross pay totaling \$26,300 for two months of our audit period to determine whether these employees were paid at Board-approved rates.¹

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

Additionally, we tested 137 receipts totaling approximately \$1.35 million collected by the Supervisor and the Clerk to determine whether the amounts received were recorded and deposited intact and in a timely manner.²

Although our testing did not reveal any significant errors or irregularities, without a proper annual audit, the Board's ability to effectively monitor Town financial operations is diminished and errors or irregularities could occur and remain undetected and uncorrected. We provided the Board with annual audit guidance available in our publication, *Fiscal Oversight Responsibilities of the Governing Board*.³

The Board Did Not Properly Audit Claims

Although the bookkeeper and Supervisor reviewed claims before payment, the entire Board did not do so. Instead, the Board reviewed and approved the abstracts.⁴ While the claims were available to the Board members to review, one Board member told us that they reviewed a claim only if there was a question on the abstract. The Supervisor told us that it would be time consuming for the entire Board to review every claim and believed that their process was sufficient.⁵

Because of the lack of an adequate claims audit process, we reviewed the claims paid during the audit period for 61 disbursements totaling \$40,900 to determine whether they were adequately supported and for proper purposes.

Our testing did not reveal any significant errors or irregularities. However, relying on the abstract, without ensuring the claims listed on the abstract are appropriate charges, increases the risk that an improper disbursement will be made. That risk is compounded because of the lack of annual audits of the Supervisor's office. We provided the Board with claims audit guidance available in our publication, *Improving the Effectiveness of Your Claims Auditing Process*.⁶

What Do We Recommend?

The Board should:

1. Perform annual audits of records of all officials who receive and disburse funds.
2. Perform a deliberate and thorough audit of all claims before approving them for payment.

2 Ibid.

3 http://www.osc.state.ny.us/localgov/pubs/lgmg/fiscal_oversight.pdf

4 Listing of claims to be audited by the Board

5 On average the warrants contained approximately 46 claims each month.

6 <https://www.osc.state.ny.us/localgov/pubs/lgmg/claimsauditing.pdf>

Appendix A: Response From Town Officials

TOWN OF STAMFORD

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February 13, 2019

Ann C. Singer
Office of the New York State Comptroller
State Office Building, Suite 1702
44 Hawley St.
Binghamton, NY 13901-4417

RE: Town Board Response to Annual and Claims Auditing Examination 2018M-227

Dear MS Singer:

The Town of Stamford Board has read and accepts the findings contained in the Report of Examination referenced above. We want to thank the Office of the New York State Comptroller for its efforts to ensure accountability of municipal government in matters of financial integrity. Accordingly, the Stamford Town Board, while accepting your findings and agrees to implement your recommendations, believes that its audit of claims is both robust and more importantly transparent.

The 2018 records of the Town Clerk were examined at our January 2019 Board meeting and the 2018 records of the Supervisor will be conducted on closing of the books for the year.

All claims are available to all Board Members to review. In open meeting all questions are answered and the resolution to approve payment only comes after thorough discussion in front of attendees and the press. All Board members have the opportunity to physically exam any and all vouchers. The Board accepts questions and is not adverse to allowing inspection of the vouchers from the Press and Town residents. While we do not believe that each Board member initialing each voucher will provide more meaningful oversight we initiated the procedure at the February 2019 meeting.

Very truly yours,

Town of Stamford Board

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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and employees and reviewed Board minutes to gain an understanding of the Board's oversight of financial activities including the Board's claims audit and approval process and the Board's annual audit process over the records of officials and employees who received and disbursed funds.
- We scanned the Supervisor's bank statements for our audit period and judgmentally selected all nonpayroll disbursements paid to either cash or the Supervisor. We also selected a judgmental sample of an additional 61 nonpayroll disbursements (canceled checks or electronic payments) including payments made outside the normal disbursement cycle or to unusual or utility vendors totaling \$40,900, from the 734 disbursements made during the audit period totaling \$1.2 million, to determine whether they were adequately supported, Board-approved and for proper Town purposes.
- We reviewed all 134 electronic transfers, debit memos, withdrawals, and check transfers totaling \$5 million from the Supervisor's and Clerk's bank statements during our audit period to determine whether they were for proper purposes.
- We scanned the Clerk's bank statements during our audit period and judgmentally selected all nonpayroll disbursements with payees other than the Supervisor, County or State, all checks payable to either cash or the Clerk. We also judgmentally selected a sample of two months of Clerk's bank statements and all 13 canceled checks totaling \$1.3 million. We reviewed these payments to determine whether they were for proper Town purposes.
- We reviewed a sample of 38 receipts received by the Supervisor during our audit period totaling \$1.3 million. Our sample was judgmentally selected and composed of the following: all six payments from the State; all five payments for the sewer contract; one payment from a grant organization; all three PILOT payments; all nine franchise fee payments; two months of payments from the Clerk, Justice and the Clerk's real property tax collections; and three building permit payments (from the 27 permits issued during our audit period). We reviewed these receipts to determine whether they were accurately recorded and deposited timely and intact. We judgmentally selected our sample to include all types of payments received during our audit period.
- We reviewed a judgmentally selected sample of 10 taxpayers including the Clerk, an individual with the Supervisor's last name, and the largest tax bill on every 65th page of the tax roll. These 10 taxpayers had a total of

18 real property tax collections totaling \$19,100, which we selected from approximately 1,980 taxable parcels on the tax roll for 2017 to determine whether they were accurately recorded and deposited timely and intact.

- We judgmentally selected a sample of 81 receipts collected by the Clerk, which included 41 Clerk fee receipts totaling more than \$1,050 that included the following: six dog licenses or renewals paid during our audit period (from the 297 licenses on file), all 33 payments from the May 2017 and November 2017 license sales reports and two marriage licenses (from the 11 issued during our audit period). We also reviewed all 40 certified copy fees recorded as collected totaling more than \$770. We reviewed these receipts to determine whether they were accurately recorded and deposited timely and intact. We judgmentally selected our sample to include all types of fees received during our audit period.
- We reviewed 6 of 19 employees' pay checks for November 2017 and February 2018 (19 pay checks in total) with gross pays totaling \$26,300 to determine whether the payments were accurate and proper. We also reviewed the withholdings from these paychecks to determine whether they were proper and accurate and paid to the proper vendors. We judgmentally selected our sample to include the bookkeeper, Supervisor, Town Clerk, Highway Superintendent, a Board member and a highway employee.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 relevant population size and the sample selected for examination.

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's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

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

www.osc.state.ny.us/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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