



THOMAS P. DiNAPOLI
STATE COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

October 2023

Noah Ives, Village Mayor
Members of the Board of Trustees
Village of Remsen
10606 Pine Street
Remsen, NY 13438

Report Number: 2020M-119-F

Dear Mayor Ives and Members of the Board of Trustees:

One of the Office of the State Comptroller's (OSC) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. OSC also works to develop and promote short-term and long-term strategies to enable and encourage village officials to reduce costs, improve service delivery and to account for and protect their village's assets. In accordance with these objectives, we conducted an audit of the Village of Remsen (Village) to assess the Clerk-Treasurer's records and reports. As a result of our audit, we issued a report, dated January 8, 2021, identifying certain conditions and opportunities for Village management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Village to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Village personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, the Village has not made progress implementing corrective action, as none of the nine audit recommendations were implemented. The Village Board (Board) was unable to provide a reasonable explanation for taking no corrective action.

Recommendation 1 – Annual Update Document (AUD)

The Clerk-Treasurer should file the AUD with OSC within 60 days after the close of the fiscal year.

Status of Corrective Action: Not Implemented

Observations/Findings: The Clerk-Treasurer filed the 2020-21 and 2021-22 fiscal year AUDs with OSC 655 and 315 days late, respectively. Furthermore, as of September 26, 2023, the 2022-23 AUD has not been filed and is 56 days late.

Recommendation 2 – Interfund Transfers

The Clerk-Treasurer should maintain complete, accurate and timely financial records that properly account for transfers between funds.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed all interfund cash transfer activity entered into the financial records from June 1, 2020 through February 22, 2023. We identified 16 transactions, all recorded within the interfund receivable (due from) and payable (due to) accounts and interviewed the Clerk-Treasurer to determine the purpose of each. None of these transactions were entered into the financial records correctly. For 11 of these transactions, the Clerk-Treasurer did not make all the entries necessary to fully account for the transfer of cash between funds. The remaining five transactions were to record the transfer of cash between accounts within the same fund, and as a result, should not have been recorded within the interfund activity accounts at all.

As noted below in Recommendation 9, the Clerk-Treasurer has not received financial training since the release of our last audit report and does not know how to properly account for transfers between funds.

Recommendation 3 – Interfund Account Errors

The Clerk-Treasurer should ensure the recordkeeping errors in the interfund receivable and payable accounts are corrected.

Status of Corrective Action: Not Implemented

Observations/Findings: The Clerk-Treasurer has not corrected the recordkeeping errors in the interfund receivable and payable accounts. The Clerk-Treasurer was unsure what entries should be made in the financial records to correct the errors. Furthermore, the Clerk-Treasurer was unsure how much the Village funds owe each other, or whether any money is actually owed between funds at all.

We obtained the balance sheet report provided to the Board, which contained account balances as of February 14, 2023. We determined that the general, water and sewer funds showed outstanding balances in the interfund receivable and/or payable accounts. Combined, these three funds had negative balances totaling \$820,236 and \$808,725 in the interfund receivable and payable accounts, respectively. Interfund account balances should be positive, not negative as shown on the balance sheet. Furthermore, when compared across all funds, interfund receivables should always equal interfund payables. However, there was a \$11,511 difference between the receivables and payables.

Recommendation 4 – Financial Reports

The Clerk-Treasurer should provide monthly budget-to-actual comparisons of revenues and expenditures for each fund and balance sheet reports that accurately display assets, liabilities and fund balance so the Board can properly monitor and manage Village finances.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed budget-to-actual and balance sheet reports as of February 14, 2023 for the general, water and sewer funds. We determined that both reports were inadequate.

The budget-to-actual report showed a comparison of appropriations to actual year-to-date expenditures. The report also showed actual year-to-date revenues received. However, it did not include estimated revenues. This precluded Board members from determining whether actual revenues had met, exceeded or were short of budget estimates. The Clerk-Treasurer did not know why their budget-to-actual report did not include estimated revenues.

For all funds reviewed, the only material assets included on the balance sheets were cash and/or amounts due from other funds and the only material liabilities were amounts due to other funds. We traced reported cash balances to adjusted bank balances and determined that they agreed. However, because of the erroneous and uncorrected interfund receivable and payable balances previously discussed in Recommendation 3, fund balances were also misstated on the balance sheets. For example, the general fund's balance sheet showed a deficit fund balance of \$90,271. However, absent the inaccurate and unsupported interfund account balances, fund balance would be \$93,166 (a difference of 203 percent) which equaled the fund's reported cash balance. Without accurate balance sheet reports, the Board cannot properly monitor and manage Village finances.

Recommendation 5 – Oversight of the Clerk-Treasurer

The Board should ensure the Clerk-Treasurer maintains adequate records and reports and files the AUD in a timely manner.

Status of Corrective Action: Not Implemented

Observations/Findings: As discussed in Recommendations 1 through 4, the Clerk-Treasurer does not maintain adequate records and reports and has not filed the AUD in a timely manner. While the three Board members we interviewed were aware the Village's financial records contained inaccuracies and AUDs were not filed timely, they have not taken sufficient actions to address the deficiencies.

To improve the Board's understanding of its fiscal oversight role, we referred Board members to our publication *Fiscal Oversight Responsibilities of the Governing Board* available on our website at: <https://www.osc.state.ny.us/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>.

Recommendation 6 – Usernames and Passwords

The Board should ensure separate usernames and passwords are used to identify which individuals are entering or modifying financial transactions in the computerized accounting records.

Status of Corrective Action: Not Implemented

Observations/Findings: Both the Clerk-Treasurer and Deputy Mayor stated they enter and/or modify financial transactions in the computerized accounting records. However, the Deputy Mayor uses the same username and password as the Clerk-Treasurer to access the accounting records. Only one account, the Clerk-Treasurer's, is shown on the software's user list. The Deputy Mayor believed our audit recommendation was satisfied by having a separate username and password to log onto the computer that has the Village's financial software installed. However, separate usernames and passwords should also be used in the computerized accounting records to identify the individual entering or modifying transactions in the records.

Recommendation 7 – Annual Audit

The Board should conduct or arrange for an audit of the Clerk-Treasurer's records and reports on an annual basis.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board did not conduct or arrange an audit of the Clerk-Treasurer's records and reports for the 2020-21 or 2021-22 fiscal years. The former Mayor¹ believed reviewing the Clerk-Treasurer's monthly reports satisfied the annual audit requirement. Two other Board members told us they discussed reviewing the Clerk-Treasurer's records and reports but took no action to do so.

Recommendation 8 – Bank Reconciliations

The Board should ensure bank reconciliations are reviewed and any differences are investigated and corrected in a timely manner.

Status of Corrective Action: Not Implemented

Observations/Findings: Bank reconciliations are completed by the Deputy Mayor and reviewed by the Clerk-Treasurer. We reviewed the January 2023 bank statements and associated reconciliations for all Village bank accounts. For all accounts, adjusted bank balances agreed to cash balances in the financial records. However, we identified various reconciling items that should have been investigated and corrected but were not.

Deposits-in-transit (DITs) from December 31, 2022, which totaled \$344 (\$244 in a check and \$100 in cash) were carried forward to the January 31, 2023 bank reconciliations for both the water and sewer checking accounts because the deposits were not reflected in the January bank statements. These DITs should have been deposited in early January. The Clerk-Treasurer and Deputy Mayor were unaware of these discrepancies until we brought them to their attention. The Clerk-Treasurer stated the deposits were put into the bank's night box but could not explain why there were no corresponding deposits in the bank accounts. The Clerk-Treasurer contacted the bank, which was unable to confirm receipt of the deposits. The Clerk-Treasurer then contacted the payor of the \$244

¹ The former Mayor's term ended on May 31, 2023.

check, who stated the check had not cleared the bank and then issued a replacement check to the Village for the same amount but the cash was never located.

We also identified two outstanding checks issued in 2016 totaling \$104 that were not investigated by the Clerk-Treasurer or Deputy Mayor and which remained on the general fund checking account bank reconciliation.

Recommendation 9 – Training

The Board should identify potential financial training opportunities for the Clerk-Treasurer.

Status of Corrective Action: Not Implemented

Observations/Findings: The Clerk-Treasurer did not receive any financial training since the conclusion of our last audit. Three Board members told us they discussed obtaining training for the Clerk-Treasurer but took no action to do so. The Board was unable to explain why it did not identify any financial training for the Clerk-Treasurer despite the Board’s knowledge of the prior audit results and condition of the Village’s financial records.

OSC periodically provides training on governmental accounting. Information on this training can be found at: <https://www.osc.state.ny.us/local-government/academy/osc-government-accounting-schools>.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Village officials to make efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Rebecca Wilcox, Chief of Municipal Audits of our Syracuse Regional Office at (315) 428-4192.

Sincerely,

Randy L. Partridge
Assistant Comptroller