

Town of White Creek

Disbursements and Annual Financial Reports

2023M-41 | August 2023

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Report Highlights

Town of White Creek

Audit Objective

Determine whether the Town of White Creek (Town) Supervisor provided proper oversight of disbursements and filed the annual update documents (AUDs) in a timely manner.

Key Findings

The Supervisor did not provide proper oversight of disbursements or ensure the required AUDs were filed with the Office of the State Comptroller (OSC) in a timely manner. Without adequate oversight, the Supervisor cannot ensure that all disbursements were made as authorized. Further, the lack of filing AUDs in a timely manner impairs the Town Board (Board), Town residents, OSC and other interested parties' ability to monitor the Town's operations and financial condition.

- We reviewed 199 disbursements totaling \$516,716 and determined the Supervisor did not:
 - Review any of the 199 disbursements to ensure the disbursements were accurate and made for appropriate purposes and did not authorize the 44 electronic funds transfers (EFTs) or sign the 155 checks.
 - Properly sign checks; instead, a rubber signature stamp was used, which is not permitted.
 - Review the canceled check images to ensure they agreed to the Board-approved abstract.
- The 2019 through 2022 AUDs were not filed.

Key Recommendations

- Stop the practice of using a signature stamp for the Supervisor's signature, and have Town checks properly signed.
- Compare checks to abstracts or certified payrolls and review and approve all transfers.
- File the required AUDs on a timely basis.

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

Background

The Town, located within Washington County, is governed by an elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for overseeing the Town's operations and finances.

The Supervisor is the chief executive and chief financial officer and is responsible for maintaining accounting records that adequately document the assets, liabilities, fund balances and results of operations (revenues and expenditures) for each town fund, as well as filing required reports. The Supervisor appointed a part-time bookkeeper and deputy bookkeeper to assist with these duties.

The Town's main operating funds are the general, general part-town, highway, and highway part-town.

Quick Facts

2022 Appropriations \$1,444,752

2022 Total Disbursements \$1,392,908

Unfiled AUDs As of May 31, 2023

Year	Days Late
2019	1,187
2020	821
2021	456
2022	91

Audit Period

January 1, 2022 – December 31, 2022. We extended our audit period to May 31, 2023 to determine whether delinquent annual financial reports were filed.

Disbursements and Annual Financial Reports

How Should a Town Supervisor Oversee Disbursements?

A supervisor, as the chief fiscal officer, is responsible for maintaining custody of town money, including maintaining control over all bank accounts and online banking transactions. Online banking transactions include authorizing bank disbursements and EFTs. If the supervisor assigns any of their disbursement responsibilities, the supervisor still maintains responsibility for the accuracy and timeliness of these transactions and should review and approve them before they are made.

A supervisor should also ensure that he or she, or the deputy supervisor, are the only individuals authorized to sign checks. New York State Town Law (Town Law)¹ does not permit the use of a rubber signature stamp to sign checks. However, checks may be signed manually or with a facsimile signature of the supervisor, as reproduced by a machine or device commonly known as a check-signer. A supervisor should also compare the signed checks to the abstract of claims approved for payment and certified payrolls prior to them being disbursed to help ensure the checks are for the correct amount and for authorized purposes. It is also critical that bank statements and cancelled checks be reviewed to ensure only checks signed by authorized individuals are cleared by the bank and were for appropriate town purposes.

The Supervisor Did Not Provide Adequate Oversight of Disbursements

The Supervisor did not oversee the disbursement process by reviewing and signing disbursement checks or reviewing and approving EFTs. The bookkeeper's deputy prepares the claims and disbursement checks that are paid prior to and after Board audit. After the deputy bookkeeper prepares the checks, she affixes the Supervisor's signature to the disbursement checks using a rubber signature stamp and mails the disbursement checks. After the checks are mailed, the bookkeeper compares the check amounts from the check stubs to the abstract; however, she does not compare the abstract to the cancelled checks images. The Supervisor told us he was not aware that Town Law did not permit the use of a signature stamp and was under the impression he could allow the deputy bookkeeper to sign checks using the signature stamp. Further, the Supervisor also does not review the bank statements and cancelled check images to help ensure all checks issued were for Board-approved claims.

The bookkeeper prepares transfers between Town bank accounts and makes the EFTs to the Town's payroll company to process and disburse employee direct deposit and payroll related tax payments. These transfers are made after the

¹ See OSC Opinion No. 94-4: Town Law Section 29(3) does not provide for the use of a rubber signature stamp.

bookkeeper prepares the biweekly payroll for processing by the payroll company. Although the bookkeeper maintains a record and support for all online bank transfers (i.e., biweekly payroll journals and bank transfer confirmations), the Supervisor did not authorize these transfers or review these records with the bank statements to ensure the transfers were made for appropriate disbursements.

We reviewed 155 claims and six payroll registers to determine if all 199 disbursements (155 checks and 44 EFTs) totaling \$516,716 were accurately recorded, and for appropriate purposes. All 199 disbursements were accurately recorded and were for a valid Town purpose. We also reviewed 26 bank transfers totaling \$120,603 to determine if they were between Town bank accounts and not a disbursement of funds and found they were made as recorded. However, the Supervisor’s failure to control the check-signing process and bank transfers increases the risk that unapproved disbursements and the related checks or EFTs could be prepared without Board or Supervisor approval. This could allow inappropriate checks to be mailed or EFTs to be processed.

When Should a Supervisor File an AUD?

The supervisor must file an AUD with OSC within 60 days of the end of a town’s fiscal year (December 31) or request an extension which, if granted, would extend the deadline an additional 60 days. The AUD provides a town board, OSC, town residents and other interested parties with a transparent tool to monitor and evaluate financial operations.

The Supervisor Did Not File AUDs in a Timely Manner

The Supervisor did not file an AUD for the Town with OSC or request extensions for the 2019 through 2022 fiscal years. The AUDs for 2019 through 2022 have not been filed and were 91 to 1,187 days late as of May 31, 2023 (see Figure 1). We reviewed the accounting records for fiscal year 2021 and found them to be generally up to date except for minor recording issues that we discussed with Town officials. Neither the Supervisor nor the bookkeeper were able to provide a reason for not filing the last three AUDs in a timely manner other than they did not make it a priority.

The failure to file the AUDs impairs the Board, Town residents, OSC and other interested parties the ability to monitor the Town’s operations and financial condition. As such, the Board’s ability to make informed decisions and manage Town operations is also impaired. Failing to file timely AUDs for three consecutive years calls into question the financial

Figure 1: AUD Filings

Fiscal Year	Due Date	Days Late
2019	2/29/2020	1,187
2020	3/1/2021	821
2021	3/1/2022	456
2022	3/1/2023	91

The AUD provides a town board, OSC, town residents and other interested parties with a transparent tool to monitor and evaluate financial operations.

standing of the Town, as well as the effectiveness of the management of the Town in general.

What Do We Recommend?

The Supervisor should:

1. Stop the practice of using the Supervisor's signature stamp to sign checks.
2. Authorize disbursements by properly affixing his signature to checks.
3. Compare checks to abstracts or certified payrolls prior to them being issued.
4. Review and approval all transfers between bank accounts and EFTs.
5. Prepare and file AUDs with OSC within 60 days after close of the financial year.

Appendix A: Response From Town Officials



TOWN OF WHITE CREEK

28 Mountainview Drive

Cambridge, NY 12816

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JAMES S. GRIFFITH, TOWN SUPERVISOR

LISA AUSTIN-CUDDIHY, TOWN CLERK

July 21, 2023

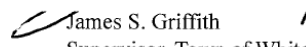
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Division of Local Government and School Accountability
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Dear Mr. Gifford,

The Town of White Creek, located within Washington County received and reviewed the preliminary draft report of our recent audit of the *Town of White Creek*, entitled *Disbursements and Annual Financial Reports*. The audit period was from January 1, 2022, thru December 31, 2022, and was extended to May 31, 2023, to determine compliance with annual financial reporting. Over the audit period the state auditor reviewed whether the Town Supervisor provided proper oversight of disbursements and filed annual update documents (AUD) in a timely manner. The review included 199 disbursements totaling \$516,716 (155 checks and 44 EFTs) to ensure for accurate recording, and for appropriate purposes.

As a follow up to their comprehensive review, the comptroller's office focused on two areas to formally audit in June 2023. The first subject of this audit included the supervisors oversight of disbursements, and the second included the timely filing of required annual update documents (AUD) with the Office of the State Comptroller (OSC). To date, the Town has received and reviewed the draft audit report and accepts the findings by auditor as accurate. The audit recommendations provided by OSC are clear and concise and most have already been implemented beginning in February 2023. In the attached Corrective Action Plan (CAP), please see the town's timeline for executing past AUDs. The CAP also outlines the Town's updated process for adequate oversight of disbursements in accordance with OSC.

Sincerely Yours in Service, . . . f


James S. Griffith
Supervisor, Town of White Creek

TOWN OF WHITE CREEK

28 Mountainview Drive
Cambridge, NY 12816
(518) 677-8545 – Fax (518) 677-2162
JAMES S. GRIFFITH, TOWN SUPERVISOR
LISA AUSTIN-CUDDIHY, TOWN CLERK

Unit Name: Town of White Creek
Audit Report Title: Disbursements and Annual Financial Reports
Audit Report Number: 2023M-41

Audit Recommendation:

1. Stop the practice of using the Supervisor's signature stamp to sign checks.
2. Authorize disbursements by properly affixing his/her signature to checks.
3. Compare checks to abstracts or certified payrolls prior them being issued.
4. Review and approve all transfers between bank accounts and EFTs.

Implementation Plan of Action:

To ensure compliance with New York State Town Law, the supervisor has begun the process of reviewing all approved audited invoices from the town council and verified drafted checks match the abstract of claims approved for payment and ensure the checks are for the correct amount and for authorized purposes. The reconciliation process begins on the day following town boards audit and approval of audited bills, the supervisor will then review the batch in completeness including any cancelled checks. During the reconciliation process, supervisor will verify each input and ensure that check numbers and amounts match the batch reconciliation cover page. Upon verification, supervisor will physically sign all checks and initial batch reconciliation cover page. In the case of EFT's, supervisor will verify the approved vendor for payment and amount authorized. All EFT's and payment stub will be included in reconciliation batch which, as stated previously, will be reviewed, and approved accordingly. Lastly, supervisor will authorize all transfers for payment disbursements between Town bank accounts and biweekly EFT's for Town's payroll. To ensure full compliance, supervisor will review transfers and EFT's against monthly bank statements.

Implementation Date: February 15, 2023

Person Responsible for Implementation: Supervisor responsible for actions

Audit Recommendation:

5. *Prepare and file AUDs with OSC within 60 days after close of the financial year.*

Implementation Plan of Action:

Town currently has past AUDs for 2019 – 2022, 4 years of AUD's to complete. Town has scheduled plan to file audits on proposed schedule:

2019 AUD to be filed by July 22, 2023.

2020 AUD to be filed by August 4, 2023.

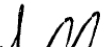
2021 AUD to be filed by August 18, 2023.

2022 AUD to be filed by September 1, 2023.

Implementation Date: *July 21, 2023*

Person Responsible for Implementation: *Supervisor and Budget Officer responsible for actions*

Signed:




James S. Griffith
Town of White Creek Supervisor

July 21, 2023

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

- We prepared bank reconciliations for all bank accounts for the month ending December 31, 2022 to determine the cash balances for all funds and compared the reconciled balances to the cash balances recorded in the accounting records.
- We interviewed the Supervisor and reviewed OSC records of AUD filings to determine if the annual financial reports were completed and filed on a timely basis.
- We interviewed Town officials to gain an understanding of the disbursement processes.
- We judgmentally selected four months during our audit scope (February, June, July and November 2022) and reviewed all disbursements and bank transfers (EFTs and between Town bank accounts) made from Town bank accounts to determine if these disbursements were supported and for a Town purpose. We discussed with the Supervisor and reviewed cancelled check images to determine whether his signature was affixed to checks. Furthermore, we reviewed the supporting claims, payroll registers and bank transfers to determine if disbursements were issued for the correct amount and made for appropriate purposes.
- We reviewed all bank transfers during the four selected months to determine if they were correctly recorded as made between Town bank accounts and not a disbursement of funds.

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.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/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.state.ny.us/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/academy

Contact

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www.osc.state.ny.us/local-government

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

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