



**H. Carl McCall  
Comptroller**

State of New York  
Office of the State Comptroller

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# Town of Duanesburg

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## Report of Examination

Period Covered: January 1, 2001 - April 30, 2002  
2002M-206



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STATE COMPTROLLER



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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

**Report: 2002M-206**  
**Filed: December 13, 2002**

**TO THE SUPERVISOR AND MEMBERS  
OF THE TOWN BOARD  
OF THE TOWN OF DUANESBURG  
SCHENECTADY COUNTY, NEW YORK:**

Pursuant to Article V, Section 1 of the State Constitution, and further authority vested in the State Comptroller by Article 3 of the General Municipal Law, we have audited selected financial activities of the Town of Duaneburg for the period January 1, 2001 through April 30, 2002. The results of our audit disclosed certain findings and recommendations which are presented in this report. These findings and recommendations have been discussed with local officials, and their comments have been considered in preparing this report.

One of the State Comptroller's top priorities is to establish and maintain a strong partnership between this office and the local governments of New York State. A primary objective of this partnership is to assist local governments in strengthening their financial management systems. Audits such as this are an important component in accomplishing this objective. They are designed to identify current and emerging issues and provide recommendations for improvement.

If we can be of assistance to you or if you have any questions concerning this report of examination, please feel free to contact the local regional office for your County listed at the back of this report.

Office of the State Comptroller  
Division of Municipal Affairs

# Executive Summary

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## **Background**

The Town of Duanesburg provides various services to its residents including general government support, snow removal, and street maintenance. Most of the town's expenses incurred in providing these services are accounted for in the town-wide general fund, town-wide highway fund and the part-town highway fund. For the fiscal year ended December 31, 2001, the town reported expenditures of \$594,822 in the town-wide general fund, \$283,093 in the town-wide highway fund and \$175,865 in the part-town highway fund.

## **Objectives and Scope of Audit**

The objective of our audit was to test for significant instances of non-compliance with fiscally related laws, rules and regulations, and guidance of the State Comptroller relevant to the scope of our audit. Our examination addressed the following questions related to the Town of Duanesburg for the period January 1, 2001 through April 30, 2002:

- Did the town supervisor maintain accounting records and reports that were properly supported and recorded, summarized and reported all financial activity?
- Was cash properly recorded, deposited, and disbursed?
- Were claims properly supported, approved and recorded in accordance with management's directive and statutory requirements?
- Was corrective action taken in response to findings and recommendations in our prior Report of Examination?

## **Audit Findings**

Our audit disclosed findings that should be reviewed by the Town Board for appropriate action. Good management practices require that town officials take prompt action concerning our recommendations. We believe that prompt action by town officials will help protect the town's resources from possible loss or improper use and ensure compliance with appropriate statutory provisions.

**Executive Summary (Continued)**

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**Comments of Local  
Officials**

The town supervisor's accounting records and annual financial report were not complete and accurate and the annual financial report was not filed with the State Comptroller within the time required.

Based on our audit tests and procedures, nothing came to our attention to indicate that cash was not properly recorded, deposited and disbursed.

The Town Board lacks adequate control over the processing and payment of claims.

Although the town took corrective action in relation to a certain finding in our prior report, the town has not taken adequate action in relation to reserves, annual accounting and the Section 8 Housing Assistance Program.

We discussed issues in the report with local officials and their comments have been considered in preparing the report. Local officials were given an opportunity to respond to our findings and recommendations within 30 days of the exit conference but they did not respond.

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# Introduction

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## **Background**

The Town of Duanesburg is located in Schenectady County in eastern New York. In 2000 the town had a population of 5,808. The town provides various services to its residents including general government support, snow removal, and street maintenance. Most of the town's expenses incurred in providing these services are accounted for in the town-wide general fund, town-wide highway fund, and the part-town highway fund. For the fiscal year ended December 31, 2001, the town reported expenditures of \$594,822 in the town-wide general fund, \$283,093 in the town-wide highway fund and \$175,865 in the part-town highway fund.

## **Audit Scope, Objectives and Methodology**

During this audit we examined selected financial activities of the Town of Duanesburg for the period January 1, 2001 through April 30, 2002.

We use a risk-based approach to select areas for audit. This approach focuses our audit efforts on those areas we identify as having the greatest probability for needing improvement. As a result, we prepare our report on an exception basis, highlighting those areas needing improvements and not addressing areas that appear to be functioning properly.

The objective of this audit was to test for significant instances of noncompliance with fiscally related laws, rules, regulations and guidance of the State Comptroller pertinent to the scope of our audit. We focused our audit on the following areas:

- Chief Fiscal Officer's Records and Reports
- Cash Receipts and Disbursements
- Claims Processing

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Such standards require that we plan and perform our audit to adequately assess those operations that are included in our audit scope. Further, those standards require that we understand the internal control structure at the town and its

## Introduction (Continued)

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compliance with those laws, rules and regulations that are relevant to those operations, which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings and recommendations.

To accomplish our objectives we interviewed appropriate town officials and employees, reviewed the town's financial reports, tested selected records and transactions, and examined pertinent documents. The specific tests and procedures are noted in the findings contained in the Results of Audit Section.

The management of the town is responsible for its financial affairs and for safeguarding its resources. This responsibility includes establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that resources are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with management's authorization and are properly recorded; that appropriate financial reports are prepared; that applicable laws, rules and regulations are observed; and that appropriate corrective action is taken in response to audit findings. Nevertheless, errors, irregularities, and instances of noncompliance may occur and not be detected because of inherent limitations in any internal control structure.

### Corrective Action

The Town Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, the Town Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within ninety days. For guidance in preparing your plan of action, you may refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Financial Management Guide for Local Governments*. We encourage the Town Board to make this plan available for public review in the town clerk's office.



# Results of Audit

## Supervisor's Records and Reports

### Internal Control and Compliance

Our review of the town's 2001 and 2002 accounting records and the annual financial report filed with the State Comptroller for the fiscal year ended December 31, 2001 disclosed numerous deficiencies. We believe that the deficiencies noted during the course of our review represent serious internal control weaknesses, which negatively impacted the Town Board's ability to rely on financial reports for monitoring town operations and making financial decisions. In particular we noted the following:

The town supervisor did not file the 2001 annual financial report with the State Comptroller until June 6, 2002. General Municipal Law, §30 requires that the town supervisor file with the State Comptroller a certified annual financial report of the town's financial condition within sixty days of the close of the fiscal year. Upon written request from the town supervisor the State Comptroller may extend the period for filing such report for an additional sixty days. However, there was no indication that the town had requested such extension. Therefore, the town's annual financial report for the fiscal year ended December 31, 2001 should have been filed by March 1, 2002.

Notes to the financial statements were not included with the annual financial report. Generally accepted accounting principles require the presentation of notes to the financial statements, since such notes are an integral part of the financial statements. These notes should contain a summary statement of the town's significant accounting policies and the presentation of other information necessary for full disclosure and clear understanding of the financial statements.

As of June 11, 2002, year-end adjustments that were reflected in the town's annual financial report were not recorded in the town's accounting records.

**Results of Audit (Continued)**

General ledgers for the year 2001 were not presented for our review; thus, cash and the other assets and liabilities reported could not be traced to the accounting records.

During the audit we noted certain accounting records, such as the 2002 cash receipts journal, were being taken home by the bookkeeper. As a result, these records may not have been available for public inspection at all reasonable hours of the day. Town Law, §29 and General Municipal Law, §51 provide that the books and records of the town supervisor should be located in a public building and be available for public inspection during regular business hours.

Although reported, general ledger accounts were not maintained for the general fixed assets account group and for the sewer district capital project.

The fixed asset inventory records have not been updated since 1999.

The capital projects fund reported as revenue a transfer of \$20,000 from the town-wide general fund however, the town-wide general fund did not report a transfer to the capital projects fund.

Certain transfers made in March and June 2002 were reported as deposits in transit and outstanding checks at December 31, 2001, in the annual financial report's bank reconciliation. The transfers are as follows:

Bank Account Transferred From	Bank Account Transferred To	Amount	Date
Shafer Park Money Market	General Fund Money Market	\$5,000	March 5, 2002
Park and Recreation Savings	General Fund Money Market	\$ 665	June 6, 2002

**Results of Audit (Continued)**

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**Interfund Advances**

In addition, \$5,000 was transferred on June 6, 2002 in error from the Shafer Park bank account, which represented a duplicate transfer of the money transferred on March 5, 2002 noted above.

Accountability over financial resources is greatly diminished when accounting records are inaccurate and incomplete. The lack of complete and accurate accounting records inhibits the necessary monitoring of the fiscal operations of the town by the Town Board. Financial decisions that the Town Board must make will be difficult if such decisions are based on information developed from incomplete and inaccurate records. A timely annual financial report and accurate accounting records provide the Town Board with the necessary financial information to monitor the operation of the town and are useful as a reporting medium to the general public.

1. Recommendation

The Town Board should take the necessary actions to ensure that the town supervisor maintains complete, accurate, up-to-date accounting records and files the annual financial report with the State Comptroller within the prescribed statutory period. Also, the town's annual financial report should be in conformance with generally accepted accounting principles and as prescribed by the State Comptroller.

The town made cash advances between funds that were not repaid at year end.

Detailed accounting records were not maintained for interfund activities.

At December 31, 2001, the following interfund advances were outstanding:

**Results of Audit (Continued)**

Fund	Due From Other Funds	Due To Other Funds
Town-Wide General	\$43,686	\$ 0, 000
Part-Town Highway	0,000	2,300
Capital Projects	2,300	43,686
Total	\$45,986	\$ 45,986

Moneys advanced between funds must be repaid as soon as possible but in no event later than the close of the fiscal year in which the advance was made (General Municipal Law, §9-a).

**2. Recommendation**

The Town Board should ensure that moneys advanced between funds be repaid no later than the close of the fiscal year in which the advance was made.

**Annual Accounting**

There was no evidence in the minutes of the proceedings of the Town Board or otherwise presented to us by town officials indicating that the Town Board had audited, or caused to be audited, the financial records and reports of town officers and employees who had received or disbursed moneys on behalf of the town for the fiscal year ended December 31, 2001.

On or before the twentieth day of January, each person, who as a town officer or employee received or disbursed any moneys in the previous year, should account with the Town Board for such moneys and should produce all books, records, receipts, vouchers and cancelled checks (Town Law §123). Additionally, Section 2019-a of the Uniform Justice Court Act requires that every town justice present his or her records and dockets to the Town Board at least once a

**Results of Audit (Continued)**

**Reserves**

year. Such annual accounting to, and examination by, the Town Board provides an added measure of assurance that financial records and reports contain reliable information on which to base management decisions and gives the Town Board the opportunity to monitor the fiscal procedures of the town.

A similar finding appeared in our prior Report of Examination.

3. Recommendation

The Town Board should develop procedures to ensure that required audits are performed annually on the financial records and reports of town officers and employees who receive or disburse moneys on behalf of the town.

The town has set aside moneys in separate bank accounts that have not been properly established as reserves.

As of April 30, 2002, the town had the following bank account balances for the apparent purposes indicated by their respective account titles:

Park and Recreation Donation Account	\$3,488
Park and Recreation Certificate of Deposit	\$3,071

Nothing was presented to indicate that reserve funds were established for these purposes pursuant to Article 2 of the General Municipal Law.

If it is the intent of the Town Board to maintain those reserves provided for by law and continue to sequester moneys therein for future use, then formal action of the Town Board establishing such reserves in conformity with statutory requirements should be taken.

A similar finding appeared in our prior Report of Examination.

**Results of Audit (Continued)**

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**Claims Processing**

4. Recommendation

The Town Board should review its policies and procedures as they relate to the establishment of reserve funds, giving full consideration to the General Municipal Law. For guidance in this area, we recommend that the Town Board refer to Section 6 of the publication issued by the Office of the State Comptroller entitled *Financial Management Guide for Local Governments*.

The Town Board lacks adequate control over the processing and payment of claims.

In order to test for procedural controls over the verification and approval of claims, we judgmentally selected and tested a total of thirty-five claims paid during the period January 1, 2001 through April 30, 2002. Our tests disclosed the following:

Twenty-five of the claims tested involved the purchase of goods and services. However, in ten instances, the supporting documentation attached to the claim was not signed by a town officer or employee acknowledging receipt of goods and services. For example, documentation attached to one claim totaling \$2,194 for highway equipment was not signed to allow for a proper audit. For improved control of town purchases, delivery slips and invoices should be signed as evidence to the Town Board, when reviewing claims for payment, that goods and services have been received.

Two claims did not have supporting documentation attached, such as delivery slips or invoices. For improved control of town purchases, documentary evidence of delivery of goods and services should be attached to vouchers so that it is available to the Town Board when they review vouchers for payment.

Four claims were insufficiently itemized or lacked adequate supporting documentation to allow for a proper audit. For example,

**Results of Audit (Continued)**

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**Section 8 Housing Assistance Program**

one claim totaling \$379 was paid from a statement and photocopy of the packing slip. Claims should be accompanied by original invoices and contain sufficient detail to permit a proper audit by the Town Board (Town Law, §118).

Twenty claims did not bear evidence of departmental approval. With certain exceptions, not applicable here, claims should not be approved and paid unless there is an itemized voucher presented to the Town Board that has been approved by the officer whose action gave rise to the claims. Then and only then is the Town Board in a position to audit and allow the payment of the claim (Town Law, §118(1)).

One payment totaling \$345 had no invoice or voucher to support the payment. Town Law, § 118 provides that the town use vouchers to control expenditures.

**5. Recommendation**

For purposes of good internal control and compliance with statute, the Town Board should take the necessary corrective action to ensure that all claims are properly processed prior to actual payment. For guidance in this area, the Town Board should refer to Section 8 of the publication issued by the Office of the State Comptroller entitled *Financial Management Guide for Local Governments*.

The town does not have sufficient control over expenditures of its housing assistance program funds.

The town has been designated as a public agency by the U.S. Department of Housing and Urban Development (HUD) for administration of housing assistance payments under Title 24, Housing and Urban Development, Chapter VIII, Part 882, Section 8. As a public housing agency, the town has the responsibility of administering rental assistance grants.

**Results of Audit (Continued)**

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The town contracts with a consulting firm for program management, record keeping, and reporting functions. Money is disbursed by the town from a town checking account to the consulting firm based on monthly program information provided by the firm. The consulting firm issues the individual program checks from its own bank account. We found no evidence that the Town Board audited and approved the individual payments as listed on the consulting firm's program printouts. Such board action should have been taken pursuant to Town Law, §118.

While the Town Board may contract with a consulting firm for program administration, the agreement is subject to certain restrictions. Since the town is ultimately responsible for the control over and expenditure of program funds, we believe that such funds should not be advanced or placed in the custody of a private firm.

A similar finding appeared in our prior Report of Examination.

**6. Recommendation**

The town supervisor should retain custody and control of housing assistance program funds. Such control includes payment of program benefits by town checks from its own bank account. With regard to the processing, approval and payment of benefits (claims), a contract with a firm might authorize the firm to receive, investigate, and recommend approval of benefits (claims). However, the actual auditing and approval of the claims should be performed by the Town Board and the disbursement of funds should be performed by the supervisor.



## APPENDIX

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