

# Town of Albion

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## Supervisor's Records and Reports

**2024M-111 | November 2024**

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# Report Highlights

## Town of Albion

### Audit Objective

Determine whether the Town of Albion (Town) Town Supervisor (Supervisor) maintained complete and accurate accounting records and provided reliable financial reports to the Town Board (Board).

### Key Findings

The Supervisor did not follow basic accounting practices by maintaining complete and accurate accounting records and financial reports. As a result, the Supervisor provided financial records and reports to the Board that contained significant errors and the Board lacked reliable information to manage the Town's financial operations. We determined that:

- The Supervisor did not maintain a general ledger, subsidiary revenue and expenditure ledgers or cash receipts and disbursements journals to properly track financial activity.
- The Supervisor's 2023 revenue and expenditure budget-to-actual reports were not accurate. For example, the reports did not include \$551,134 of real property tax revenue and a \$109,000 expenditure for a storage building. In addition, budgetary transfers totaling \$27,125 were improperly reported as actual expenditures.
- The Supervisor did not account for payroll-related liabilities, maintain proper cash control accounts and reconcile the Town's bank accounts.
- The Board did not conduct a thorough annual audit of the Supervisor's 2023 accounting records, as required by New York State Town Law (Town Law) Section 123.

### Recommendations

The audit report includes 10 recommendations that, if implemented, will improve the Supervisor's records and reports and the Board's oversight of financial operations. Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comment on an issue raised in the Town's response.

### Audit Period

January 1, 2023 – June 14, 2024

### Background

The Town is located in Oswego County and is governed by an elected Board composed of the Supervisor and four Board members.

The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for receiving, disbursing, and retaining custody of Town money, maintaining accounting records and providing financial reports to the Board.

The Supervisor appointed a bookkeeper to process payroll and to prepare payroll and vendor checks for the Supervisor to sign. The Town hired an accounting firm to prepare the Town's Annual Financial Report (AFR), which is filed with the Office of the New York State Comptroller (OSC).

#### Quick Facts

Population	2,009
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2024 Budgeted Appropriations	\$1.9 million
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# Supervisor's Records and Reports

## How Should a Town Supervisor Maintain Accounting Records and Report Financial Information?

A town supervisor (supervisor) should maintain financial records that provide a complete and accurate accounting of all financial transactions. The accounting records should document the assets, liabilities, fund balance and results of operations (revenues and expenditures) for each town fund. A supervisor can accomplish this by reviewing and implementing the accounting and financial reporting guidance that is available on the Office of the State Comptroller's web page. (Figure 1) The available information is provided to help ensure financial reporting is consistent, accurate and transparent. It also helps towns and other local governments provide clear, comparable information so a board, local officials and other stakeholders can make informed decisions.

Reconciling bank account balances with the accounting records is an important control activity to ensure financial transactions are accurately recorded in a timely manner. Monthly bank account reconciliations provide a way for the supervisor to identify, correct and document differences between the town's records and banking transactions. In addition, the board or someone independent of the recordkeeping process should review the monthly bank reconciliations (along with bank statements) to ensure they are prepared accurately and timely.

The supervisor should provide accurate monthly financial reports to the board to facilitate timely and prudent financial decisions. These reports should include a detailed accounting of all money received and disbursed during the month. The reports should also include reconciled cash balances for each fund and a comparison of revenues and expenditures to the amounts estimated in the annual budget.

## The Supervisor Did Not Maintain Adequate Accounting Records and Monthly Reports Were Not Accurate

The bookkeeper used an electronic financial system to process payroll and print payroll and vendor checks but did not use the financial system to maintain important accounting records that are necessary to track financial transactions and provide an audit trail. The Supervisor and bookkeeper did not follow basic accounting practices. For example, they did not maintain a general ledger to record the assets (e.g., cash), liabilities and fund balance for each fund or subsidiary revenue and expenditure ledgers. In addition, they did not maintain cash receipts and disbursements journals to provide a detailed, chronological record of the cash collected and paid out.

FIGURE 1



### Accounting and Reporting Manual

Counties, Cities, Towns, Villages, Libraries, Soil and Water Conservation Districts

April 2024

Access this publication at:  
<https://www.osc.ny.gov/files/local-government/publications/pdf/arm.pdf>

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In lieu of financial records, the Supervisor maintains budget-to-actual spreadsheets (spreadsheets) for the general and highway funds showing the budgeted amounts for each revenue and appropriation account, the monthly and year-to-date actual revenues and expenditures, and variances between the budget and actual amounts. While these spreadsheets were given to the Board monthly to assist in monitoring the budget, they are not a substitute for maintaining proper financial records. In addition, our testing of the Supervisor's spreadsheet for 2023 determined that it included several errors and omissions. Therefore, the Board was presented incomplete and unreliable information to use when monitoring the budget and managing the Town's financial operations. For example:

- Real property tax revenues totaling \$551,134 (\$170,604 for the general fund and \$380,530 for the highway fund) were not recorded in the spreadsheets.
- A May 2023 expenditure totaling \$109,000 for the construction of a storage building was not recorded in the general fund spreadsheet. Also, seven February 2023 expenditures for highway fund machinery totaling \$4,792 were not recorded and part-time employees' wages totaling \$2,035 were understated for four months.
- Two budget transfers totaling \$15,000 for November 2023 to move funds between appropriation accounts and nine budget transfers from the contingency account totaling \$12,125 were improperly recorded as actual expenditures. These errors overstated general fund expenditures by \$15,125 and highway fund expenditures by \$12,000.
- Payroll expenditures totaling \$7,469 for the Deputy Highway Superintendent and Deputy Town Clerk were recorded in both the general and highway funds. These expenditures were incorrectly recorded in the highway fund because both employees were former highway employees. However, the payroll system was not updated to reflect the proper expenditure accounts when they changed positions. As a result, the Supervisor used inaccurate reports from the payroll system to update his spreadsheet each month.
- Health insurance expenditures were overstated by \$3,763 in the highway fund because the Supervisor did not factor in highway employees' health insurance contributions when he recorded the expenditures for the payment of the monthly health insurance invoices.

In addition to the errors in recording revenue and expenditure activity, the Supervisor did not properly track and reconcile activity related to the Town's payroll clearing account, which Town officials refer to as the trust bank account (trust account). For each payroll, the Supervisor transferred the employees' net pay, withholdings (e.g., Federal and New York State (NYS) taxes, employee portion of health insurance, retirement system contributions and union dues) and the Town's share of payroll taxes and health insurance payments to the trust account, where the funds were held until they were disbursed to the appropriate individual, organization or governmental unit.

The trust bank account had a balance of \$24,468 as of December 31, 2023. However, the Supervisor did not maintain any liability accounts to track the amounts due to the various parties and we identified several errors and transfers that resulted in approximately \$17,000 in excess funds being held in the trust account that was not needed. For example:

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- NYS income tax was withheld from employees' paychecks and transferred to the trust account during 2023 to pay the related liabilities. However, for three of the four quarters during the year the Supervisor made additional unneeded transfers for these income tax withholdings to the trust account totaling \$7,544.
  - Bank transfers for the January 24, 2023 payroll from the general and highway fund savings accounts were not made timely which resulted in the trust account having a negative balance. The Supervisor transferred \$2,500 from the general savings bank account to the trust fund to temporarily cover the payroll expenditures, but the Supervisor did not repay the general fund after the regular transfers were made.
  - The Supervisor transferred funds to the trust account for the total amount of the monthly health insurance invoices for seven months of 2023 even though withholdings for full-time highway employees' health insurance contributions totaling \$3,763 were also transferred to the trust account during the year and the funds were available to pay the invoices. In addition, the Supervisor paid health insurance invoices for four months without transferring the Town's portion of the bill to the trust account and he inadvertently paid one month of health insurance totaling \$1,536 for highway employees' coverage out of the general fund bank account.
  - 2023 union dues withholdings totaling \$1,327 for the highway department staff were transferred and allowed to build up in the trust account while the Supervisor paid invoices from the union totaling \$1,425 (\$98 was not withheld from the workers) out of the highway fund bank account and incorrectly recorded the payments as highway fund expenditures. Instead, the Supervisor should have recorded a liability when funds were transferred to the trust account and then reduced the liability when the union dues were paid.

Due to the inadequate financial records, we performed testing of cash receipts and disbursements and bank transfers to determine whether receipts were properly recorded and transfers and disbursements were for authorized Town purposes.<sup>1</sup> While our testing did not disclose any inappropriate transactions, given the inadequate records maintained, there remains a risk that additional errors and irregularities could have occurred that were not detected.

Because the Board did not have complete and accurate financial information, the Board's ability to monitor the Town's financial affairs during the year and make sound financial decisions was compromised. Town officials hired an accounting firm to prepare the Town's 2023 AFR, which was filed with OSC timely. However, due to the deficient records, the accounting firm had to make significant adjustments and corrections to complete the AFR.

## **The Supervisor Did Not Maintain Proper Cash Accounts or Prepare Bank Reconciliations**

The Supervisor maintained a manual cash ledger for the Town's three checking and four savings accounts. However, these records were not reliable for controlling cash because the Supervisor recorded the total monthly disbursements based on the checks and electronic payments that cleared

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<sup>1</sup> See Appendix C for additional information on the audit tests performed.

the bank (per the bank statements) rather than the checks that were written during the month. Because the Supervisor did not record disbursements in the cash ledger when the transactions occurred, the ledger did not provide an accurate running balance of available cash.

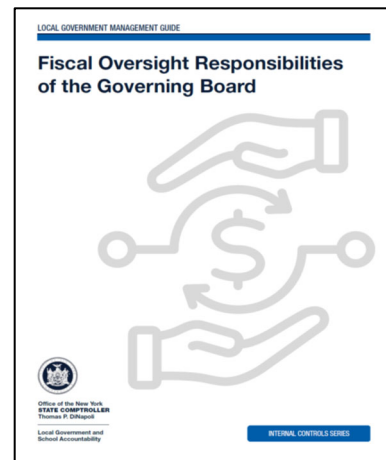
In addition, because the Supervisor updated the cash ledger to agree with the bank activity, he did not perform bank reconciliations and there was no process to identify recordkeeping or potential bank errors. Also, while the Supervisor provided reports to the Board showing monthly receipts and disbursements and ending bank statement balances, the reports did not account for checks written but not cashed (outstanding checks) or deposits in transit. Therefore, the reports did not reflect the correct available cash balances.

The Supervisor told us he was unaware his cash ledgers were insufficient and that he was not reconciling the accounts properly. When cash transactions are not properly recorded and bank reconciliations are not performed, there is an increased risk that inappropriate transactions, accounting errors or bank errors could occur and go undetected.

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

A supervisor is required by Town Law, Section 123 to submit an annual accounting to a 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 audit 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 overall 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. For guidance on conducting annual audits, board members should refer to our publication entitled, [Local Government Management Guide – Fiscal Oversight Responsibilities of the Governing Board](#). (Figure 2)

FIGURE 2



Access this publication at:  
<https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

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## The Board Did Not Adequately Audit the Supervisor's Records

Although the Board audited the Supervisor's January through April 2023 records in May 2023,<sup>2</sup> the Board did not perform a subsequent audit of financial activity for the remaining eight months of 2023. In addition, the Board did not document what records were reviewed or any concerns identified during the audit. Had the Board performed an adequate annual audit for the full year, some of the deficiencies we identified during our audit could have been identified and corrected sooner.

## What Do We Recommend?

The Supervisor should:

1. Attend municipal accounting training available through OSC, which can be accessed on our website at: <https://www.osc.ny.gov/local-government/academy/osc-government-accounting-schools>.
2. Establish and maintain cash receipt and disbursement journals, general ledgers and subsidiary revenue and expenditure records for all funds.
3. Provide the Board with accurate monthly financial reports which include all money received and disbursed, budget-to-actual comparisons and reconciled cash balances for each fund.
4. Complete monthly bank reconciliations to compare adjusted bank balances with accounting records and promptly investigate and resolve any discrepancies.
5. Establish and maintain payroll-related liability accounts and periodically reconcile the accounts with the cash balance in the trust bank account.
6. Transfer the unidentified excess funds held in the trust account to the general fund.
7. Provide an annual accounting to the Board for all money received and disbursed and provide all accounting records, receipts and canceled checks for inspection by the Board.

The Board should:

8. Ensure bank reconciliations are prepared each month and independently reviewed, along with bank statements.
9. Ensure that it receives accurate monthly financial reports to monitor and manage the Town's financial operations.
10. Annually audit the Supervisor's records and reports for the full year or contract with a certified public accountant or public accountant to conduct the audit.

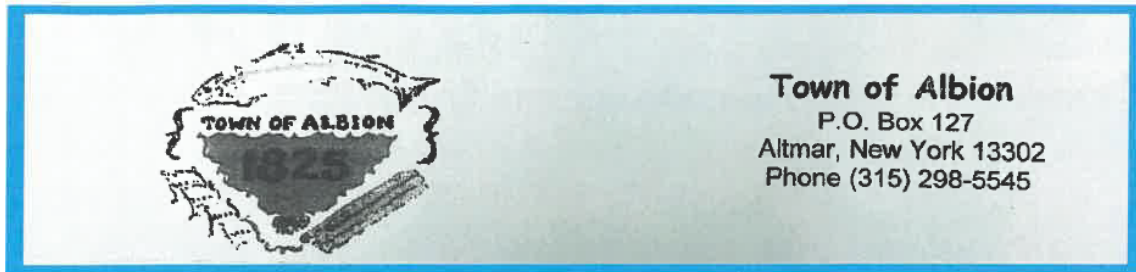
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<sup>2</sup> The Supervisor provided records for the partial year instead of in January for the entire previous fiscal year.



# Appendix A: Response From Town Officials

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10/18/2024

Town of Albion (Oswego County)

To: Rebecca Wilcox, Chief of Municipal Audits

## Response to Findings of the Audit

I have prepared my responses in numerical order of how the audit was presented to me with the first response beginning at the bottom of Page 4 and labeled #1: The Supervisor did not . . .

1. We are working with our accounting firm, [REDACTED] to start using [REDACTED] as a financial system to more accurately track account balances. I will continue to maintain spreadsheets to effectively communicate balances to the board, however with the implementation of the [REDACTED] system, the balances should be more accurate.

Each Bullet:

A thru k): Most of these shortcomings I agree with. Due to my lack of knowledge of proper accounting practices, specific accounts were not properly tracked. Through the help of the on-site auditor and proper manipulation of the spreadsheet, changes have been put in place to more accurately track payroll expenses within the Trust account and the balances of all other accounts as well.

I will also take it upon myself to read the accounting manual AND attend upcoming training opportunities offered by the OSC, AOT and/or other organizations.

l. and m.) While I agree that my lack of accounting knowledge contributed to some accounts being inaccurate, I don't believe at any point the board's ability to make sound financial decisions was compromised. I took special care to note in detail anything that I wasn't sure of. Therefore, a comparison of my records and bank statements would have easily shown that any inaccuracies were not so egregious as to not allow the board to function effectively.

2. The Supervisor did not Maintain Proper . . .

a), b) &c) As I explained to the on-site auditor during the audit, I often questioned how our account balances could be totally accurate since outstanding checks and/or deposits were not



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included in my monthly reconciliations with the bank statements. (This is not the way I balance my checking account at home.) This has been corrected as I now balance all accounts monthly to the Actual Cash Balance.

### 3. & 4. Why Should the Board . . . & The Board Did Not . . .

My books have always been and will continue to always be available for review by the town board. Based on the advice of the audit, the board will be implementing a more thorough yearly audit based on "Fiscal Oversight Responsibilities of the Governing Board".

### **Supervisor's Response**

It has been and continues to be my goal to be very open and transparent with all the town's finances. Thanks to the on-site auditor's help, I have already implemented many of the recommendations from the audit and have a timely plan to institute the rest.

I am somewhat disappointed by the fact that it is NOT mentioned more strongly that there is no indication of misappropriation or wrongdoing. (Part 1, paragraph I is the only spot it is mentioned.) I believe it was clear in my notes and in my discussions with the on-site auditor that honesty and integrity are very important to me. It seems that a clear message to the public of "Here's what needs to improve, but overall, your board is doing okay" is what could be communicated. In the mean-spirited, finger pointing world that we live in, this could help ease negative attitudes that the public already holds towards elected officials.

See  
Note 1  
Page 9

I do believe that by following the recommendations of the OSC, the finances of the town of Albion will be more accurate and be presented in a more professional way. I thank the guidance of the on-site auditor for many of the improvements already implemented and have a detailed plan (forthcoming in the CAP), to incorporate the remaining suggestions and recommendations by early 2025, if not sooner.

Michael Faulkner

Supervisor – Town of Albion (Oswego County)

## Appendix B: OSC Comment on the Town's Response

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### Note 1

The audit objective focused on the Supervisor's records and reports. The audit team assessed the risk of fraud occurring that is significant within the context of this audit objective, as required by generally accepted government auditing standards. Our report states that we performed sample testing of cash receipts, disbursements and bank transfers as described in Appendix C and our tests did not disclose any inappropriate transactions. However, these audit results cannot be used to conclude there is no indication of misappropriation or wrongdoing in the Town's operations.

## Appendix C: Audit Methodology and Standards

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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 Town officials and reviewed various financial records and reports and Board meeting minutes to gain an understanding of the Town's procedures for maintaining accounting records, reports provided to the Board and the Board's oversight of financial operations, including the annual audit process.
- We reviewed the accounting records from January 2023 through March 2024 to determine whether the records were sufficient to track the financial activity for each fund, including assets, liabilities, fund equity, revenues and expenditures.
- We analyzed the trust bank account's 2023 activity and ending bank balance as of December 31, 2023, and deducted outstanding payroll-related liabilities that were paid in 2024 to determine the difference between the cash balance and known liabilities.
- We obtained lists of payments made to the Town from NYS, Oswego County, the Town Justice and Town Clerk. We traced the payments totaling approximately \$1.3 million to the Supervisor's spreadsheets to determine whether revenues were accurately recorded and traced the amounts to bank statements and deposits.
- We compared the Supervisor's spreadsheet with abstracts approved by the Board and payroll records for 2023. We also used professional judgment to select the months of January, October and December 2023, and traced disbursements totaling \$573,430 from check listings to abstracts and canceled checks. We selected these months with no expectation that we would find more or fewer exceptions and/or errors than in other months.
- We used professional judgment to select the months of January, October and December 2023 and January and February 2024 and traced bank transfers totaling approximately \$2.1 million to deposits in other Town bank accounts or supporting documentation. We selected these months with no expectation that we would find more or fewer exceptions and/or errors than in other months.

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.

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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 D: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.ny.gov/local-government/academy)

## Contact

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Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

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

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

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