Office of the New York State Comptroller

Division of Local Government and School Accountability

LOCAL GOVERNMENT MANAGEMENT GUIDE

Fiscal Oversight Responsibilities of the Governing Board

Thomas P. DiNapoli State Comptroller

For additional copies of this report contact:

Division of
Local Government and School Accountability
110 State Street, 12th floor
Albany, New York 12236
Tel: (518) 474- 4037
Fax: (518) 486- 6479
or email us:
localgov@osc.state.ny.us

www.osc.state.ny.us

Date of Issue: January 2010 RMD54_2010
Revised: January 2014

Table of Contents

Developing Policies 2

Monitoring Fiscal Operations 7

Correcting Identified Budgetary Problems 12

Conducting Audits 15

Conclusion 20

Appendix A – Policy Development and Other References 21

Appendix B – Annual Audit Requirements by Type of Local Government 22

Appendix C – General Recordkeeping Requirements for Chief Fiscal Officers 25

Appendix D – General Recordkeeping Requirements for Town Clerks 29

Appendix E – General Recordkeeping Requirements for Tax Collecting Officers 33

Appendix F – General Recordkeeping Requirements for Town and Village Justice Courts ... 36

Appendix G – General Recordkeeping Requirements for Departments 42

Central Office Directory 46

Regional Office Directory 47

Fiscal Oversight Responsibilities of the Governing Board

Local governments exist to provide necessary services to their constituents. Success in accomplishing that mission typically depends heavily upon the leadership of the governing board and other local government officials. As the legislative body, the board generally establishes and oversees much of the policy, financial, and ethical framework within which a local government operates.

Through its actions and policies, the governing board often charts the course for many of the government's activities. The governing board is usually responsible for seeing that the course is kept by monitoring the results of operations and the effectiveness of board-adopted policies. Statutory provisions may provide the framework for the governing body's guidance and oversight, as well as sound management practices. Working in conjunction with the locality's chief executive officer (CEO), chief fiscal officer (CFO), and other local officials and department heads, the governing board can help ensure that their fiscal oversight responsibilities are met.

The governing board's oversight role can touch virtually every aspect of a local government's operations. This guide covers the following key fiscal oversight responsibilities of a governing board:

- *Developing Policies* – includes policies required by law, as well as other policies that help guide specific areas of fiscal operations
- *Monitoring Fiscal Operations* – includes descriptions of reports needed for fiscal monitoring
- *Conducting Audits* – includes guidelines for claims auditing responsibilities and annual auditing requirements.

The appendices to this guide include information on where to find additional information on developing certain types of policies (Appendix A); annual audit requirements by type of local government (Appendix B); as well as general recordkeeping requirements and checklists for reviewing the financial records of chief fiscal officers, town clerks, tax collecting officers, town and village justice courts, and other departments (Appendices C–G), respectively.

In this guide, "local governments" usually refers to school districts and boards of cooperative educational services (BOCES) as well as towns, villages, cities, and counties.

The governing board's oversight role can touch virtually every aspect of a local government's operations.

Developing Policies

The governing board should, and in some cases must, develop and formally adopt policies that establish control procedures and other requirements for daily financial and other operations.

The governing board should, and in some cases must, develop and formally adopt policies that establish control procedures and other requirements for daily financial and other operations. The CEO, CFO, and department heads can often assist the board in developing the content of these policies.

Every policy adopted by the governing board should be understood by all board members, customized to fit the unique needs of each local government, reviewed periodically, preferably annually (even when not required by law), and updated if needed. Of course, even the best policy ever written will not be effective unless it is communicated and reinforced to the managers and staff who must apply it and abide by it. Adopted policies must be effectively communicated to those within the organization.

An Administrative Manual that contains all board-adopted policies and their amendments is a handy tool for managers at all levels of a local government. This manual would serve as a convenient one-stop policy reference for officials and employees.

The following sections outline the development of policies that are either required by law or should be considered when appropriate for the size and complexity of the entity or when the board identifies a need to provide direction and guidance to managers and staff.

Policies Required by Law

There are several policies that a governing body must develop, adopt, and periodically review to meet the requirements of the General Municipal Law:

Code of Ethics[1] – A code of ethics establishes standards of conduct reasonably expected of officers and employees, and a "tone" of ethics and integrity set by the board will have a positive impact throughout the organization. A code must provide standards of conduct with respect to disclosure of interests in legislation that is before the governing board, the holding of investments that are in conflict with official duties, private employment in conflict with official duties, future employment, and such other standards relating to the conduct of officers and employees as may be deemed advisable. It should prohibit the use of one's public position for personal gain and provide standards for avoiding the appearance of impropriety. In addition, consistent with the law, a code of ethics should address the receipt of gifts, the handling of confidential information, and the enforcement of the code.[2] The CEO is required to distribute a copy of the code of ethics to every officer and employee of the municipality. In the case of fire districts,[3] the board must post a copy of the code publicly and conspicuously in each building under the district's control. The code also may provide for the establishment of a board of ethics or such board may be created separately by the governing board.[4]

Investment Policy[5] – An investment policy details the local government's policies, procedures, and instructions to officers and staff regarding investing government funds and monitoring, securing, and reporting of investments. The investment policy must include, but need not necessarily be limited to, standards for security and collateral agreements; a list of types of permitted investments; standards for diversification of investments; standards for the qualifications of firms with which the unit transacts business; and procedures to satisfactorily secure the local government's financial interests in investments. The investment policy is required to be reviewed annually.

A code of ethics establishes standards of conduct reasonably expected of officers and employees, and a "tone" of ethics and integrity set by the board will have a positive impact throughout the organization.

[1] General Municipal Law Section 806

[2] Note that General Municipal Law Section 805-a prohibits municipal officers and employees from soliciting any gift and from accepting or receiving gifts in certain circumstances. It also prohibits municipal officers and employees from disclosing confidential information acquired in the course of a municipal officer or employee's official duties to further his or her personal interests.

[3] A model code of ethics for fire districts is available in the Local Government section of the State Comptroller's website at **www.osc.state.ny.us/localgov/fdreform/modelcoe.pdf.**

[4] General Municipal Law Section 808

[5] General Municipal Law Section 39

Procurement policies and procedures generally ensure that competition is sought in a reasonable and cost-effective manner for procurements that fall below the bidding thresholds and for other contracts exempt from formal competitive bidding.

Procurement Policy[6] – Every local government and school district must adopt its own policies and procedures for procurements of goods and services that are not required by law to be competitively bid. Procurement policies and procedures generally ensure that competition is sought in a reasonable and cost-effective manner for procurements that fall below the bidding thresholds and for other contracts exempt from formal competitive bidding. A procurement policy applies to:

- Purchase contracts involving expenditures of $20,000[7] or less
- Contracts for public work involving expenditures of $35,000[8] or less
- Professional services and other procurements not required by law to be competitively bid.

The law provides that goods and services not required to be competitively bid must be procured in a manner so as to assure the prudent and economical use of public moneys in the best interests of the taxpayers; to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances; and to guard against favoritism, improvidence, extravagance, fraud and corruption. Among other things, procurement policies and procedures must require, generally, when competitive bidding is not required by law, that alternative proposals or quotations will be secured for goods and services, that there is adequate documentation of actions taken in connection with each method of procurement, and that there is justification and documentation of any contract awarded to other than the lowest dollar offer. They may also include provisions relative to competitive bidding procedures. Procurement polices and procedures are required to be reviewed annually by the governing board.

[6] General Municipal Law Section 104-b

[7] Effective June 22, 2010

[8] Effective November 12, 2009

Other Policies

In addition to policies required by law, a governing board should adopt policies to guide other areas of operation, particularly where there is high inherent risk of fraud, waste, or abuse, or where municipal staff would benefit from specific guidance in carrying out a municipal function or activity. The following policies are not required by law but, when implemented and monitored periodically, they can help ensure that public funds are used prudently and in the best interests of the taxpayer. Every board should review the size and complexity of its operations to identify the degree of risks present in its local government's areas of operation. Areas of operation prone to errors or problems and areas of operation that are complex or unique often require appropriate policy guidance.

Areas of operation prone to errors or problems and areas of operation that are complex or unique often require appropriate policy guidance.

Wire Transfer and Online Banking Policy – A wire transfer and online banking policy should outline what online banking activities and electronic funds transactions your local government may engage in, and who will initiate, approve, transmit, record, review, and reconcile such transactions. The policy should also specify the authorization procedures required before a transaction is initiated; the documentation required supporting the purpose, source, destination, and amount of the transaction; and the documentation required to account for and record the transaction appropriately.

Travel and Conference Policy – This type of policy addresses the reimbursement of reasonable, actual, and necessary expenses incurred by authorized individuals while traveling or attending conferences for government-related activities. The policy should set the maximum allowances for mileage, meals and lodging, and require that adequate supporting documentation be attached to travel claims submitted for audit.

Credit Card Policy – A credit card policy should address the specific circumstances under which credit cards may be used, including who is authorized to use them, prior approval(s) needed, dollar limits and types of expenses for which they may be used (e.g., travel expenses) and what documentation must be presented to support the claim submitted for audit. The policy should also include procedures for monitoring credit card use to assess the reasonableness of the nature and number of charges and for promoting accountability and responsibility by outlining the risks, such as liability for damage, loss, and/or improper use.

These policies should designate the person(s) responsible for developing and maintaining the procedures and records involved in the processes and should be reviewed at least annually to determine that they are current and up-to-date.

Computer Use Policy – This type of policy defines procedures for acceptable computer, Internet, and email use, including the storage of personal and private information, and holds users accountable for the proper use and protection of a local government's digital resources. In school districts and BOCES, acceptable use guidelines should also include student use. Internet usage should be limited to education and research of information consistent with the local government or school district's duly authorized governmental purposes.

Cell Phone Use Policy – A cell phone policy should establish guidelines for determining the business necessity for cellular phones and assigning the cellular phones to appropriate users. The policy should also include procedures for periodically reviewing and monitoring usage to assess the reasonableness of the nature and number of calls. The policy should also outline risks, such as liability for damage, loss, and/or improper use, and establish procedures to ensure that phone service plans are appropriate for service needs.

Capital Asset Control Policy – This type of policy should establish procedures to protect the local government's capital assets. A capital asset control policy should identify the duties of a designated property control manager and address how asset records will be maintained, when periodic inventories should be conducted, how assets will be physically identified as belonging to the local government, any restrictions on access and use of assets, and the board's expectation for disposal of such assets.

Governing boards should also consider adopting separate policy guidance or at least directing that appropriate procedures be established and implemented to control inventoriable items such as bulk fuel purchases, food supplies, computer/audio visual equipment, vehicle parts, tools, and small equipment items. Appropriate procedures should address, at a minimum, access and use restrictions as well as physical security over the inventoriable items.

Other polices, consistent with the governing board's powers and duties, could also be developed setting forth the objectives and incorporating key control procedures for all major operating cycles, including, but not limited to, budgeting, cash receipts and disbursements, reserve fund management, retirement reporting, billing procedures, and claims processing. These policies should designate the person(s) responsible for developing and maintaining the procedures and records involved in the processes and should be reviewed at least annually to determine that they are current and up-to-date.

See Appendix A for additional references on many of the policies outlined above.

Monitoring Fiscal Operations

Once the financial course has been set through the adoption of key policies and plans, board members have the equally important task of keeping local government operations on course. This oversight responsibility requires continued diligence. Governing board members should compare actual results to plans, policies, and directives. The board's concerns and decisions should be communicated to appropriate senior management and department heads so that they can make adjustments and corrections as needed.

Governing board members should compare actual results to plans, policies, and directives.

The following sections outline periodic reports, including an illustrative example of a budgetary status report and other special purpose reports, all of which can be used as key measures in focusing monitoring activities and conveying information to the appropriate officials and to the public.

Interim Reports

Interim (periodic) reports can be designed to fulfill a number of management information needs. Each adopted policy can and should address the timing and content of periodic reports so board members can exercise proper fiscal oversight. The governing board should consult with senior management and department heads, when necessary, to determine what information they need and when they need it so that they can effectively meet their responsibilities. It is essential that the governing board receives regular financial reports from the CFO, treasurer, or business manager to fulfill its responsibility of monitoring financial operations. Generally, corrective action is easier to initiate when the need is identified early. Interim reports should provide the board with timely information on such issues as: financial position, results of operations, budget status, policy compliance, service or project costs, performance measures, and legal compliance matters.

For illustrative purposes, a discussion of the commonly used and widely accepted budgetary status report follows. Brief descriptions of other possible special purpose reports are included at the end of this section.

The governing board generally has the authority and responsibility to adopt realistic, structurally balanced budgets and to monitor the budget continually.

Budgetary Status Reports

The governing board's role in overseeing the financial condition of its local government is of particular importance. Local governments must avoid significant cost over-runs or estimation errors. Municipal officials must be vigilant in monitoring year-to-date revenues and expenditures against corresponding budgetary estimates.

The governing board generally has the authority and responsibility to adopt realistic, structurally balanced budgets and to monitor the budget continually. After the budget has been enacted, it is the combined responsibility of department heads and other municipal officials to see to it that sufficient resources are available and that needed services are provided within budget parameters. To help meet these objectives, the CFO, designated budget officer, and department heads should regularly monitor actual revenues and expenditures and report these figures to the governing board. These year-to-date figures should be compared to budgeted amounts so that timely corrective action can be taken as needed.

Budget status reports provide the governing board and other decision makers with information about year-to-date revenues and expenditures compared to budget estimates. At a minimum, these reports should identify unfavorable variances that require timely budget amendments to maintain control overspending and ensure compliance with applicable laws. In meeting its oversight responsibilities, the governing board should:

- Review budgetary status reports
- Ask questions about revenues and expenditures not meeting budgetary expectations
- Ensure that corrective action or budget amendments are implemented before financial condition is negatively affected, consistent with the scope of its authority.

Budgetary status reports also have a predictive value. The board and others can use these reports to analyze current (year-to-date) trends and predict end-of-the-year financial outcomes. Understanding future outcomes can be particularly useful when preparing the ensuing year's budget. To enhance the forecasting value of these reports, the budget officer and department heads should identify the causes of current negative trends and then make realistic assumptions regarding future activity. When this type of analysis is prepared, it should be communicated to the governing board so that it may take appropriate action.

An example of a budgetary status report follows. Reports similar to this one, but with sufficiently detailed categories of revenues and expenditures and consistent with any legal requirements, should be prepared for the general fund and any other major operating funds. Most computerized financial management systems will automatically produce a budget-to-actual report as frequently as needed.

Budgetary status reports also have a predictive value. The board and others can use these reports to analyze current (year-to-date) trends and predict end-of-the-year financial outcomes.

CITY OF XYZ GENERAL FUND Budget-to-Actual Report for the 6 Months ended June 30						
(A) Revenues	(B) Actual Last Year 12 Months	(C) Current Budget 12 Months	(D) Actual To-Date 6 Months	(E) Current Variances D – C (Unfavorable)	(F) Projected for Year 12 Months	(G) Projected Variance F – C (Unfavorable)
Property Taxes	$ 215,000	$ 220,000	$ 220,000	$ 0	$ 220,000	$ 0
State Aid	310,000	325,000	175,000	(150,000)	350,000	25,000
User Charges	14,000	17,000	9,000	(8,000)	18,000	1,000
Departmental Income	27,000	30,000	17,000	(13,000)	35,000	5,000
Sales Tax	245,000	270,000	100,000	(170,000)	200,000	(70,000)
Federal Aid	17,000	25,000	10,000	(15,000)	17,000	(8,000)
Interfund Transfers	0	0	0	0	0	0
Other						
Total Revenues	**828,000**	**887,000**	**531,000**	**(356,000)**	**840,000**	**(47,000)**
Expenditures						
General Government	120,000	142,000	80,000	62,000	130,000	12,000
Public Safety	280,000	300,000	162,000	138,000	315,000	(15,000)
Health	17,000	19,000	7,000	12,000	15,000	4,000
Transportation	255,000	272,000	145,000	127,000	280,000	(8,000)
Economic Assistance	14,000	12,000	18,000	(6,000)	22,000	(10,000)
Home and Community	30,000	37,000	21,000	16,000	43,000	(6,000)
Employee Benefits	29,000	42,000	24,000	18,000	52,000	(10,000)
Debt Service	94,000	63,000	30,000	33,000	63,000	0
Other						
Total Expenditures	**$ 839,000**	**$ 887,000**	**$ 487,000**	**$ 400,000**	**$ 920,000**	**$ (33,000)**

Column A - Classification - List revenue and expenditure items by functional areas. (Additional detail can be added based on the needs of a local government.)

Column B - Prior Year Actual – Obtain total amounts from the AUD (Annual Update Document) filed with the State Comptroller, independent audit report, or the unit's accounting records.

Column C - Current Budget as Amended – Obtain from current general and subsidiary ledgers. These totals should include any adopted budgetary amendments.

Column D - Actual To-Date – Obtain from current general and subsidiary ledgers.

Column E - Current Variance – Calculate and record over- and underestimates for the current period (Column D minus Column C).

Column F - Annual Projections – Estimate by taking actual to-date results and projecting them out for the remaining months. As the year progresses, estimates should become more reliable. Historical trends are useful in formulating these projections.

Column G - Projected Variances - Record over- and underestimates projected for the entire year (Column F minus Column C).

Local governments that utilize encumbrance accounting should include an additional column for encumbrances that have been approved and are outstanding at the date of the report.

In the above budget-to-actual report, the board typically should take the following immediate actions:

1. The board should request information about the original budget estimate for Sales Tax, since the unit is halfway through the fiscal year and has only received $100,000 (Column D) of the budgeted $270,000. If it is determined that the aid will not be received, the budget should be amended, due to the revenue shortfall.
2. The board should determine whether the budget has been amended, due to the over expenditure of $6,000 in the Economic Assistance appropriation code (Column E). If the budget has not been amended, the board should determine why established controls did not prevent the over expenditure of this appropriation. Unless the over expenditure is a classification or an accounting error, a budget amendment will be necessary.

The board should then look at the yearly projections in Column G. The main concerns would be:

1. Public Safety is projected to be over expended by $15,000. The board should make the department head aware of the projection and ask that he/she monitor the budget on a monthly basis and report back to the board.
2. Transportation, Economic Assistance, Employee Benefits, and Home and Community Services are each projected to be over expended at year-end. The board should discuss the projected negative variances with department heads and seek solutions for lowering costs before accounts become overdrawn.

Correcting Identified Budgetary Problems

Waiting until the end of the fiscal year to make necessary budget adjustments is not fiscally prudent and may lead to more serious conditions.

When the budgetary status report indicates significant unfavorable variances or otherwise identifies problem areas, the governing board should take timely corrective action, as authorized by law. The sooner corrective action is implemented, the less likely that financial condition will be negatively affected. Waiting until the end of the fiscal year to make necessary budget adjustments is not fiscally prudent and may lead to more serious conditions. If budgetary appropriations are projected to be insufficient, the board has a couple of options. One option is to restrict additional expenditures in that area, if expenditures are not mandated or otherwise required. A budgetary amendment is the second and probably the most common option utilized in most cases. If that option is chosen, an increase (amendment) to a line-item budget appropriation may be accomplished by:

Transferring between appropriations – The board may transfer an unexpended balance from one appropriation account to another or transfer from the appropriation for contingencies[9] to another appropriation account within the same fund. These types of transfers have no effect on the overall budget of a fund. Remember: an appropriation cannot be reduced below the minimum amount required by law (e.g., debt service).

Appropriating available fund balance – Certain entities (e.g., towns, villages, and counties) have an option to increase spending over and above the total amount specified in the annual adopted budget by appropriating available (unappropriated, unreserved) fund balance. This option may be utilized only to the extent that the total of all revenues of a fund (recognized or reasonably expected to be recognized in the current fiscal year), together with unappropriated, unreserved fund balance, exceed the total of all revenues of the fund and appropriated fund balance as estimated in the budget.

Appropriating grants in aid, insurance recoveries, and gifts – Under certain statutes, the governing board may appropriate certain revenues that were not included in the original budget at any time for applicable objects or purposes. These revenues include grants in aid received from the State and federal governments, gifts which are required to be expended for particular objects or purposes, and insurance proceeds received from the loss, theft, damage, or destruction of property when proposed to be used or applied to repair or replace such property.

[9] The Education Law does not contain provisions relative to a contingency account in school district annual budgets.

Issuing budget notes – Generally a local government may authorize the issuance of budget notes pursuant to the Local Finance Law to finance increases in appropriations and supplemental appropriations.[10] There are two types of budget notes. One type, which may be characterized as an "emergency budget note," may be issued in any fiscal year to finance any unforeseeable public emergency in that year, such as storm, flood, or other unusual peril to lives and property. An emergency budget note may be issued in any amount determined necessary by the board to deal with the particular emergency. The other type of budget note, which may be characterized as a "deficiency budget note," may be issued for an expenditure for which an insufficient provision or no provision was made in the annual budget. In general, the amount of deficiency budget notes issued during a fiscal year may not exceed five percent of the local government's annual budget for that year. An example of the use of a deficiency budget note would be to fund the payment of an insurance premium where the amount to be paid exceeds the appropriation available to pay for it.

In cases where it is projected that there might be a significant revenue shortfall within the annual budget, total appropriations may need to be reduced. An example might be where a major revenue source such as sales tax is anticipated to fall significantly short of what was estimated, and the projected shortfall may cause insufficient overall resources being available to pay for costs incurred. The board may need to reduce overall appropriations and restrict spending to help mitigate the impact of the revenue shortfall. See Appendix A for further reference materials.

In general, the amount of deficiency budget notes issued during a fiscal year may not exceed five percent of the local government's annual budget for that year.

[10] Local Finance Law Section 29.00

It may be beneficial to have reports for particular revenues or expenditures.

Other Special Purpose Reports

Local officials often prepare special purpose reports for internal management use. The type and quality of these reports vary widely depending on management's specific needs. Some of the more common reports are:

Construction – Local governments routinely participate in construction projects that span several years and cost millions of dollars. It is important that the governing board monitor the status of these substantial projects. The most common disclosures are project-based financial statements providing selected details of each project, such as total cost-to-date compared to budget or authorization. Reports may also include performance information for long-range or capital planning.

Procurement – In addition to budget line-item status reports, this report accounts for the number of purchase orders issued and the contracts entered into during the report period.

Personnel – This is a status report on the number of personnel authorized and employed at a specific point in time. These reports can indicate the cost center (department to be charged for the salary), the number of authorized positions and the number currently employed.

Receivables – This is a status report on selected receivables, such as property taxes, and water and/or sewer rents. Such reports would not only measure collection performance, but might support the need to establish better controls and enforcement procedures.

Other Particulars – It may be beneficial to have reports for particular revenues or expenditures. Correspondingly, management might require cash flow and budgetary control reports for a particular fund or activity.

Conducting Audits

Perhaps the one of the most significant and complex oversight responsibilities of the governing board is its requirement to conduct audits. The audit process, whether it's the periodic audit of claims or the annual audit of accounting records and reports, is an integral part of the local government's system of checks and balances. An audit can help determine whether or not public money is being spent and handled properly; identify conditions in need improvement; and provides oversight and review of financial operations. At a minimum, audits provide the governing board the opportunity to assess the effectiveness of financial operations.

The following sections outline the board's role in the audit of claims and the board's annual auditing requirements. It also provides guidance on Board-directed audits and how to prepare a corrective action plan in response to an external audit report.

The audit process, whether it's the periodic audit of claims or the annual audit of accounting records and reports, is an integral part of the local government's system of checks and balances.

Claims Auditing Responsibilities

The audit of claims is often the last line of defense for preventing unauthorized, improper, or fraudulent claims from being paid. When a local government has a strong claims auditing process, the control consciousness of its staff is enhanced because officers and employees are aware that a careful review of claims will occur before public funds are disbursed. Although there are exceptions, the governing board, is generally responsible for the audit of claims. The audit of claims is one of the few control procedures that is often executed directly by the governing board.

The board's responsibility to audit claims is a potentially strong internal control because it segregates two key functions—management's purchase of goods and services and the authorization of payments for those goods and services. Even though this is a potentially strong control, the limited time that board members may have to devote to the audit of claims can render an otherwise strong control only modestly effective.

Although boards are not required to establish a position with claims auditing responsibilities, many have found it to be a successful approach to fulfilling this responsibility.

Many governing boards have recognized the need to have a strong claims auditing function and, where allowable by law, have chosen to establish the position of claims auditor or a position that includes the claims auditing function.[11] Although boards are not required to establish a position with claims auditing responsibilities, many have found it to be a successful approach to fulfilling this responsibility. If such a position is established, the claims auditor assumes the Board's powers and duties of approving or denying claims against the local government. The claims auditor would then report directly and regularly to the governing board. The size and complexity of the local government should be considered when deciding whether or not the appointment of a claims auditing official will enhance a local government's controls procedures. If sufficient time is available, the board's understanding of operations and the cost of doing business is often enhanced by the process for auditing claims. See Appendix A for further reference materials.

[11] For example, Town Law Section 20 authorizes the establishment of the position of Town Comptroller in certain towns. When this position is established, the Town Comptroller assumes responsibility for all accounting duties and the audit and approval of all claims (see Town Law Sections 34, 119).

Annual Audit Responsibilities

The governing board is required to annually audit, or cause to be audited, the books, records, and documents of certain municipal officers and employees responsible for receiving and disbursing money. This periodic audit of the financial details of departmental operations should be thorough and when done properly it can provide board members with an understanding of those operations, which is essential to effective oversight.

Board oversight becomes particularly important in smaller operations which may not have an adequate system of controls because employees are required to perform duties that should optimally be segregated. For example, if one person performs several key functions (receives and disburses cash, maintains the accounting records, and reconciles bank statements), then controls over the local government's cash operations may not be adequate.

To improve cash controls, enough people should be involved in the day-to-day operations so that key duties can be properly segregated. When staffing levels prevent this, the governing board should become more involved to help ensure that sufficient control is being maintained over these operations. An annual audit is a fundamental step in this oversight process and in many instances it is a required step.

Audit requirements vary for different types of local governments. Appendix B contains detailed information on the specific audit requirements for towns, villages, counties, cities, fire districts, school districts, and BOCES. Pursuant to specific statutes mentioned in Appendix B, the annual audit may, and in some cases must, be performed by someone other than governing board members. External audits of one type or another may also be required pursuant to the terms of specific grants, agreements, or special legislation applicable to your local government.

These external audits are generally conducted in accordance with nationally recognized auditing standards by external auditors who are independent of the local governments they audit—either members of private certified public accounting firms or organizationally independent government auditors.

The discussion that follows pertains to those situations where an annual audit is performed by the governing body, not an external auditor.

The governing board is required to annually audit, or cause to be audited, the books, records, and documents of certain municipal officers and employees responsible for receiving and disbursing money.

When a governing board is not required by law to engage the services of an external auditor to perform an audit, the law may direct or permit the governing board itself to conduct the annual audit.

Guidelines for a Board-Directed Annual Audit

When a governing board is not required by law to engage the services of an external auditor to perform an audit, the law may direct or permit the governing board itself to conduct the annual audit. A board-directed annual audit is generally appropriate for small and medium-sized local governments.

The annual audit and review of records is a process whereby the governing board, as authorized by law, is exercising its responsibility for the general management and control of the locality's finances. In order for this process to occur in a smooth and timely manner, there must be cooperation among officers, others assisting in the recordkeeping, if applicable, and the governing board.

As a first step, the governing board should ensure that it has an understanding of how each office or department operates, what the rules and requirements are for financial accountability and reporting, and what types of financial records should be maintained to meet these requirements. Once board members have gained an understanding of the applicable operations and familiarized themselves with the types of records that should be maintained, they should determine that the following minimum concerns are met:

1. Financial records are complete and up-to-date
2. Transactions are recorded properly
3. Accountability is computed monthly
4. Required reports are made timely and accurately.

To assist local officials in evaluating these concerns, we have included information about the general recordkeeping requirements for CFOs, town clerks, tax collectors, justice courts, and specialized departments or operations in the appendices to this guide. This information addresses the type of accounting records that generally should be submitted to the governing board for audit purposes. Some variation in the format of accounting records is expected. Reading these descriptions beforehand will provide board members with essential background information.

In addition to these descriptions, we have also developed checklists that local officials can use to guide them during the actual audit process. These checklists will guide local officials in answering questions about:

1. The condition and accuracy of the records being reviewed
2. Determinations of accountability
3. Reporting responsibilities (to various governmental agencies).

These questionnaires are designed to help board members gather information through inquiry and through inspection of the actual records. Generally, a "Yes" answer may indicate a positive situation and a "No" answer may indicate a need for improvement or that other appropriate actions be taken. The last page of each questionnaire allows for the board's comments and conclusions. Once the checklists are completed, the reviewer's comments and conclusions should be presented at a board meeting and entered into the minutes. The completed checklists should be kept on file with the clerk of the board.

During the course of the audit, if members of the governing board have concerns relating to the recordkeeping process, they should discuss them with the appropriate officer or employee to obtain an explanation.

CAPs provide an opportunity for the governing board to communicate how audit findings and recommendations will be used positively to improve operations and internal controls.

Corrective Action Plans in Response to Audit Reports

All local governments that have been audited by our office or by an independent public accountant and have received an audit report or management letter with recommendations should, and for certain entities such as school districts, BOCES, and fire districts must, prepare a written corrective action plan (CAP).

CAPs provide an opportunity for the governing board to communicate how audit findings and recommendations will be used positively to improve operations and internal controls. Although implementation plans may be designed by key officers and managers within your local government, the governing board, with the audit committee (if applicable), generally must review and approve the entire CAP. The governing board's oversight of the CAP process is important because it sends a positive message to the public and to employees about the "tone at the top" regarding the board's commitment to safeguarding assets and making government operations more effective.

Ultimately, financial decisions are the responsibility of the governing board and interim reports (like budgetary status reports) are needed to keep the board informed about financial, performance, and legal compliance matters.

When preparing your plan, you should describe each corrective action in sufficient detail to demonstrate clearly what corrections have occurred or are planned in response to each recommendation, who within the local government is responsible for implementation, and the implementation date. To be considered effective, the corrective actions should be suitably designed to remedy the conditions described in the audit report. If corrective action is not planned for certain recommendations, an explanation should be provided. If the CAP indicates that a recommendation will not be implemented, but equally effective action will be taken to address the situation, the alternative action should be described in sufficient detail to allow OSC to assess its reasonableness. In instances where you disagree with a recommendation, your plan should provide a discussion of the nature of the disagreement and a reasonable explanation for not taking corrective action. See Appendix A for further reference materials.

Conclusion

Governing boards are responsible for steering and overseeing the fiscal operations of local governments while managers are responsible for directing daily operations. Managers utilize the policies adopted by the board to guide their decision making and to supervise both accounting and other fiscal activities. Ultimately, financial decisions are the responsibility of the governing board and interim reports (like budgetary status reports) are needed to keep the board informed about financial, performance, and legal compliance matters. A board's audit responsibilities are another oversight responsibility that can identify areas in need of improvement and help each local government to be successful.

OSC would be pleased to assist you with any questions you have regarding the information contained in this guide or any special circumstances with which you may need assistance. The addresses and telephone numbers for each of our regional offices, and our legal staff, are located at the end of this publication. Please contact the regional office for your locality or, for legal issues, our legal staff, with any questions you may have.

Appendix A – Policy Development and Other References

Several of our *Local Government Management Guides* and our *Toolboxes* contain additional information that may be useful to governing boards and other officials when developing or updating local policies and fulfilling their oversight responsibilities. The following publications are available on OSC's website, in the Local Government section.

Policy Development

Procurement Policy – *Seeking Competition in Procurement*
www.osc.state.ny.us/localgov/pubs/lgmg/seekingcompetition.pdf

Travel and Conference Policy – *Travel and Conference Expense Management*
www.osc.state.ny.us/localgov/pubs/lgmg/travel_expense.pdf

Credit Card Policy – *Credit Card Accountability: Minimizing the Risk of Error, Misuse and Fraud*
www.osc.state.ny.us/localgov/costsavings/creditcard.htm

Wire Transfer and Online Banking Policy – *Cash Management Technology*
www.osc.state.ny.us/localgov/pubs/lgmg/cashtechnology.pdf

Computer Use Policy – *Information Technology Security*
www.osc.state.ny.us/localgov/pubs/lgmg/itsecurity.htm

Capital Asset Policy – *Capital Assets*
www.osc.state.ny.us/localgov/pubs/lgmg/capital_assets.pdf

Other References

Budgeting – *Understanding the Budget Process*
www.osc.state.ny.us/localgov/pubs/lgmg/budgetprocess.pdf

Claims Auditing Process – *Improving the Effectiveness of Your Claims Auditing Process*
www.osc.state.ny.us/localgov/pubs/lgmg/claimsauditing.pdf

Corrective Action Plans – *Responding to an OSC Audit Report: Audit Responses and Corrective Action Plans*
www.osc.state.ny.us/localgov/audits/respondaudit.pdf

Appendix B – Annual Audit Requirements by Type of Local Government

Towns

With certain exceptions, Town Law Section 123 requires that on or before the twentieth day of January, each town officer and employee who received or disbursed any moneys in the previous fiscal year shall account with the town board for such moneys and shall produce all supporting books, records, receipts, warrants, vouchers, and cancelled checks or check images as authorized by General Municipal Law Section 99-b. No member of the town board may sit as such when any account in which he or she is interested is being audited.

Each town officer and employee, except a town justice, at the time of submitting his or her books and records, must file with the town board a statement in writing showing all receipts and disbursements for the fiscal year. The statement must be in detail and entered in the minutes of the meeting by the town clerk.

The provisions of Town Law Section 123 requiring an annual accounting and the submission of books and records by all town officers and employees to the town board do not apply to a town having a town comptroller, or to a town which, prior to the twentieth day of January, has engaged the services of a certified public accountant (CPA) or public accountant (PA) to make an annual audit to be completed within sixty days after the close of the town's fiscal year. In towns that have a town comptroller, it is the comptroller's responsibility to examine the accounts of town officers and employees in accordance with this section (see Town Law Section 34[1]).

In addition, the town board, at any time, may require any town officer or employee to submit to the board or to such CPA or PA for examination, the officer or employee's books, dockets, records, receipts, warrants, vouchers, and cancelled checks or check images as authorized by General Municipal Law Section 99-b.

Pursuant to the Uniform Justice Court Act Section 2019-a, it is the duty of every town justice, at least once a year and "upon the last audit day of such … town," to present his or her records and docket to the auditing board of the town (see also Town Law Section 123). The board must examine the records and docket, or cause them to be examined and a report thereon submitted to the board by a CPA or a PA. After the examination, or the receipt of the CPA/PA report, the board must enter into its minutes that the records and dockets have been examined, and that the fines collected have been turned over to the proper town officials as required by law.

Villages

Pursuant to Village Law Section 4-408(e), the board of trustees must audit, or cause to be audited by an officer or employee of the village or by a CPA or a PA engaged for that purpose, the treasurer's annual financial report and supporting records.

Pursuant to the Uniform Justice Court Act Section 2019-a, it is the duty of every village justice, at least once a year and "upon the last audit day of such village," to present his or her records and docket to the auditing board of the village. The requirements placed on the village for examination of the records and dockets of the justice are the same as the requirements described above for the records and dockets of town justices.

Counties

County Law Section 210 authorizes the county governing board, at any time, to cause an examination and "post audit" to be made of the books, records and papers pertaining to the money, funds or other property belonging to the county, or over which the county has control. The examination and post audit may be made by a standing or special committee or by auditors employed for that purpose.

Cities

Individual city charters and enacted local legislation typically would be the source for any audit requirements.

Fire Districts

For fire districts, Town Law Section 181-b requires an annual audit by an independent CPA or an independent PA if the district has revenues of $300,000 or more.

School Districts and BOCES

Education Law Section 2116-a(3)(a) and Commissioner's Regulations 8NYCRR Section 170.12(e)(1), 170.3(a) require that all school districts, except those employing fewer than eight teachers, obtain an annual independent audit by an outside CPA or PA. In addition, those same school districts are required to establish an internal audit function, unless the school district had expenditures of less than $5 million in the previous year or had an enrollment of fewer than 300 students (fewer than 1,500 students as of April 1, 2013). The purpose of the internal audit function is to assess the risks of district operations and to make recommendations for improvement of internal controls at least annually.

Length of Service Award Programs (LOSAPs) for Volunteer Firefighters

General Municipal Law Section 219-a requires the sponsor or designated program administrator of a LOSAP to obtain an annual audit of its records by an independent CPA or an independent PA.

Single Audit Requirements

A local government that expends $500,000 ($750,000 for fiscal years beginning on or after January 1, 2015) or more in federally awarded funds in its fiscal year is required to have an audit, conducted by an external auditor, in accordance with the provisions of the federal Single Audit Act and the reporting and filing requirements of the federal Office of Management and Budget Circular A 133. The external auditor, among other requirements, must opine as to whether the Schedule of Expenditures of Federal Awards is fairly presented, issue a report on internal controls with respect to the financial statements and major federal programs, and report on the local government's compliance with laws, regulations, and provisions of contracts or grant provisions which could have a direct and material effect on each major federal program.

If a local government is above the $500,000 ($750,000 for fiscal years beginning on or after January 1, 2015) federal expenditure threshold and expends funds from only one federal program and is not otherwise required by law, regulation or federal award agreement to have a financial statement audit, then the local government may elect to have a program-specific audit rather than auditing on an entity-wide basis.

Appendix C – General Recordkeeping Requirements for Chief Fiscal Officers

Adequate accounting records and effective procedures need to be in place to properly account for and report financial activities of the local government or school district. Although most local governments and school districts maintain their accounting records electronically, the requirements are the same. Governing boards should familiarize themselves with the chief fiscal officer's recordkeeping system, whether maintained manually or electronically, before attempting to review the records. Some basic and essential record keeping and reporting requirements include the following:

1. Maintain official bank accounts in designated depositories.
2. Deposit moneys received into an official bank account and properly secure those moneys.
3. Moneys received should be deposited timely. Moneys received may be required by statute or local legislation to be deposited within a given number of days after receipt.
4. Disburse moneys, by check or electronic funds transfer, throughout the year. Most payments are made for salaries and wages of municipal officers and employees (based on certified payrolls) and for contractual expenses.
5. Maintain accurate and complete accounting records to record moneys received and disbursed. Accounting records are required to be kept on a fund basis.
6. Maintain separate appropriation accounts for every appropriation.
7. Prepare and provide interim reports to the governing board.
8. Prepare in a timely manner the annual financial report, which shows the summary of the prior year fiscal activity and the results of operations for that year. The report is filed with OSC and generally with the municipal clerk.
9. Reconcile cash, receivables, and other control accounts. Reconciliations of cash in the bank to recorded cash balances, and of detailed receivables or other subsidiary accounts to related control accounts, should be made periodically (monthly is recommended) and on a timely basis.

Checklist for Review of Chief Fiscal Officer's Records

Determine the types of funds in use, and whether separate cash receipts and disbursements books are maintained for the various funds or whether a single cash receipts and single cash disbursements book is maintained. The following checklist can be used for each fund maintained.

Cash Receipts	**YES**	**NO**
Is the cash receipts journal up-to-date?	☐	☐
Is the cash receipts journal maintained in a manner that identifies the date received, payer, purpose and the amount either individually or totals referenced to subsidiary receipt records (e.g., water rents receipts register)?	☐	☐
Are un-deposited cash receipts safeguarded?	☐	☐
Are duplicate deposit slips kept?	☐	☐
Do deposit amounts agree with cash receipt amounts?	☐	☐
Are deposits made timely and recorded up-to-date? *Last Recorded Deposit: Date*_____ *Amount* _____	☐	☐
Is the cash receipts journal totaled and summarized monthly?	☐	☐

Cash Disbursements	**YES**	**NO**
Is the cash disbursements journal up-to-date?	☐	☐
Is the cash disbursements journal maintained in a manner to identify amounts disbursed either individually or totals referenced to abstracts or payrolls?	☐	☐
Are pre-numbered checks used for all disbursements (other than petty cash)?	☐	☐
Are all checks signed by the chief fiscal officer and co-signed if required?	☐	☐
If checks are signed electronically, is the signature stamp or software in the custody and control of the chief fiscal officer?	☐	☐
Are canceled checks or check images returned with bank statements and maintained on file?	☐	☐
Are all unused checks properly controlled (blank check stock)?	☐	☐
Are checks recorded up-to-date? *Last Recorded Check: #* _____ *Date*_____ *Amount* _____	☐	☐
Is the cash disbursements journal totaled and summarized monthly?	☐	☐
Are payments supported by appropriate documentation? Consider comparing a sample of disbursements with supporting documentation.	☐	☐

Cash Reconciliations	**YES**	**NO**
Are bank accounts reconciled? *By Whom?* _____ *How Often?* _____ *Who Reviews/Verifies Them?* _____	☐	☐
Is the bank reconciliation performed by a person whose job duties do not include maintaining either the cash receipts or disbursements journals or receiving or disbursing cash?	☐	☐
Is the bank reconciliation performed timely after the bank statement is received?	☐	☐
Are reconciliations documented and available for review?	☐	☐
Does the reconciled bank balance agree with the cash balance recorded in the accounting records?	☐	☐

Last Bank Reconciliation for Each Bank Account		
Bank Account	Date Performed	Month Ending

Receivables	**YES**	**NO**
Are receivable control accounts maintained?	☐	☐
Is there indication that the receivable control accounts are reconciled to the detail subsidiary records?	☐	☐

Investment Records	**YES**	**NO**
Is an investment record maintained?	☐	☐
Is the record complete and up-to-date?	☐	☐

Deposit Protection	**YES**	**NO**
Has the bank pledged adequate, eligible securities to protect deposits and investments (under the custody of the chief fiscal officer) that exceed FDIC insurance protection?	☐	☐

Indebtedness Records *(This record is maintained by the clerk in certain local governments)*	**YES**	**NO**
Is an indebtedness register maintained?	☐	☐
Is the register complete and up-to-date?	☐	☐

Property Records	**YES**	**NO**
Are property records maintained?	☐	☐
Are the records up-to-date?	☐	☐
Are all fixed assets included in the records?	☐	☐
Are physical inventories taken and compared to the records?	☐	☐

Financial Reporting	**YES**	**NO**
Are interim reports (budget/actual; trial balances; etc.) prepared?	☐	☐
Are the reports distributed to the governing board and department heads?	☐	☐
Does total year-end recorded cash agree with that reported in the annual financial report?	☐	☐

Payrolls	**YES**	**NO**
Are payrolls certified/approved by the appropriate official?	☐	☐
Are pay rates in accordance with collective bargaining agreements and other lawful employment contracts, or board resolutions?	☐	☐
Is leave time accounted for?	☐	☐

Comments and Conclusions

_____

_____

_____

_____

Appendix D – General Recordkeeping Requirements for Town Clerks

Adequate accounting records and effective procedures should be in place to account for and report town clerk financial activities properly. Some basic and essential recordkeeping and reporting procedures include the following:

1. Maintain a cashbook, which chronologically identifies all receipts and disbursements.
2. Make all disbursements by check, except as otherwise authorized by law, such as authorized petty cash disbursements.
3. Maintain official bank accounts in designated depositories.
4. Deposit all moneys received to official bank account no later than the third business day after $250 has been collected (Town Law Section 30 [1-a]).
5. Perform a monthly reconciliation of cash with amount in the bank and related liabilities.
6. Prepare monthly reports and remit collections to the supervisor and agencies on a timely basis:
   - To the Town Supervisor – for fees and other moneys collected belonging to the town no later than the fifteenth day of each month following receipt (Town Law Section 27[1]).
   - To the New York State Department of Health – for marriage license fees on or before the fifteenth day of each month (Domestic Relations Law Section 15[3]).
   - To the New York State Department of Agriculture and Markets – Dog Licensing Unit and County Treasurer – for dog license fees on or before the fifth day of each month (Agriculture and Markets Law Section 111[])).
   - To the New York State Department of Environmental Conservation (DEC) – for conservation (hunting/fishing) license fees as applicable via the DEC's automated system (Environmental Conservation Law Section 11-0713; 6 NYCRR Section 177.4).

The town clerk of certain towns may also serve as the tax-collecting officer (see Town Law Section 36). As collecting officer, the town clerk generally would be responsible for collecting both town real property taxes and county real property taxes that are levied within the town. A portion of the taxes collected (the amount levied by the town) is remitted to the town supervisor, and any residual amount is paid to the county treasurer (see Town Law Section 35). Because of some unique or additional legal requirements pertaining to tax collecting officers, a separate audit checklist has been developed for this portion of the clerk's functions.

Checklist for Review of Town Clerk's Records

Cash Receipts	**YES**	**NO**
Is the cash receipts journal up-to-date?	☐	☐
Is the cash receipts journal maintained in a manner that identifies the date received, payer, purpose, and the amount either individually or totals referenced to subsidiary receipt records (e.g., water rents receipts register)?	☐	☐
Are un-deposited cash receipts safeguarded?	☐	☐
Are duplicate deposit slips kept?	☐	☐
Do deposit amounts agree with cash receipt amounts?	☐	☐
Are deposits made timely (no later than the third business day after $250 has been collected) and recorded up-to-date? *Last Recorded Deposit: Date*_____ *Amount* _____	☐	☐
Is the cash receipts journal totaled and summarized monthly?	☐	☐

Cash Disbursements	**YES**	**NO**
Is the cash disbursements journal up-to-date?	☐	☐
Is the cash disbursements journal maintained in a manner to identify amounts disbursed either individually or totals referenced to abstracts or payrolls?	☐	☐
Are pre-numbered checks used for all disbursements made by check?	☐	☐
Are all checks signed by the town clerk?	☐	☐
Are canceled checks or check images returned with bank statements and maintained on file?	☐	☐
Are all unused checks properly controlled (blank check stock)?	☐	☐
Are checks recorded up-to-date? *Last Recorded Check: #* _____ *Date*_____ *Amount* _____	☐	☐

Cash Reconciliations	**YES**	**NO**
Are bank accounts reconciled? *By Whom?* _____ *How Often?* _____ *Who Reviews/Verifies Them?* _____	☐	☐
Is the bank reconciliation performed timely after the bank statement is received?	☐	☐
Are reconciliations documented and available for review?	☐	☐
Does the reconciled bank balance agree with the cash balance recorded in the accounting records?	☐	☐

Last Bank Reconciliation for Each Bank Account		
Bank Account	Date Performed	Month Ending

Deposit Protection	**YES**	**NO**
Has the bank pledged adequate, eligible securities to protect town clerk deposits that exceed FDIC insurance, if applicable?	☐	☐

Accountability	**YES**	**NO**
Is accountability (what the town clerk owes) determined at the end of each month?	☐	☐
Does the accountability amount agree with the bank reconciliation and supporting records?	☐	☐
Are unissued licenses and permits (e.g., dog licenses) safeguarded?	☐	☐
Are revenues from town clerk fees comparable with those of previous years?	☐	☐

Financial Reporting	**YES**	**NO**
Are monthly reports and payments made timely to the supervisor?	☐	☐
Are monthly reports and payments made timely to other agencies?	☐	☐
Do reported amounts on monthly reports agree with cash receipts and disbursements books?	☐	☐

Receivables *(if applicable, such as water rents)*	**YES**	**NO**
Are receivable control accounts maintained?	☐	☐
Is there indication that the receivable control accounts are reconciled to the detail subsidiary records?	☐	☐

Comments and Conclusions

_____

_____

_____

Appendix E – General Recordkeeping Requirements for Tax Collecting Officers

In order to accomplish their responsibilities and properly account for tax collections, collectors and receivers of taxes and assessments should, and in some cases must, comply with the following:

1. Maintain tax warrants, tax rolls, tax bills (statement of taxes due), and other documents relating to tax accounts.
2. Maintain a cashbook, which chronologically identifies all receipts and disbursements.
3. Maintain official bank accounts in designated depositories.
4. Issue acceptable receipt forms to acknowledge all moneys collected (tax bill and tax receipts are generally one document).
5. Deposit all moneys received in a timely manner.
   For Towns Only: Deposit to the appropriate bank account(s) within 24 hours of collection.
6. Make all disbursements by check except for authorized petty cash payments.
7. **For Towns Only:** Generally, remit tax collections to the supervisor at least once a week until payment in full of all moneys payable to him/her pursuant to the warrant have been made.
8. **For Towns Only:** After payment to the supervisor in full of all moneys payable to him/her pursuant to the warrant, remit additional tax collections, if any, to the county treasurer by the 15th day of the month following collection.
9. Prepare a list of unpaid taxes at expiration of the warrant, and complete settlement with the county treasurer, if applicable.

(See, generally, Town Law Section 35, pertaining to the powers and duties of collectors, and Town Law Section 37, pertaining to the powers and duties of receivers of taxes and assessments.)

An Important Initial Step in the Audit Process for Tax Collectors and Receivers

Following the tax collection period, the tax collector or receiver is required to account for or settle up real property taxes that the collector or receiver was responsible for collecting. The accounting is made to the county treasurer, and is considered an important and integral part of any audit and/or oversight process.

Before the town board audits the records of the tax collector or receiver, a copy of the settlement sheet should be obtained and reviewed. If necessary, inquiry should be made with the county treasurer to find out if there were any known problems or concerns with the collector's or receiver's records or accounting at the time of settlement.

Note: An audit of the tax collector or receiver could be done any time after settlement with the county treasurer. Once the collector or receiver has settled with the county, there should be no further activity and the bank account balance should be zero (unless the bank, at the time of opening the account, required a minimum amount to be held in the account).

Checklist for Review of Tax Collecting Officer's Records

Settlement	**YES**	**NO**
Is a copy of the collector's or receiver's settlement sheet available?	☐	☐
Have all settlement issues/concerns been adequately resolved?	☐	☐

Bank Accounts	**YES**	**NO**
Is the bank account reconciled after bank statements are received? *Last Bank Reconciliation for Each Bank Account:* *Date Performed* _____ *Month Ending* _____	☐	☐
Note: Tax collector's bank account balance should be **$0.00** at the beginning of the collection period		

Cash Receipts	**YES**	**NO**
Is the cash receipts journal maintained in a manner sufficient to identify the date received, payer, tax account number, tax amount, interest amount and other appropriate information?	☐	☐
Are deposits identified?	☐	☐
Are duplicate deposit slips kept?	☐	☐
Do deposit amounts agree with cash receipt amounts?	☐	☐
Are bank deposits timely or (for towns) within 24 hours of collection?	☐	☐

Cash Disbursements	**YES**	**NO**
Are pre-numbered checks used for all disbursements other than petty cash?	☐	☐
Are all checks signed by the tax collector or receiver?	☐	☐
Are canceled checks or check images returned with bank statements and maintained on file?	☐	☐

Deposit Protection	**YES**	**NO**
Has the bank pledged adequate, eligible securities to protect tax collector deposits that exceed FDIC insurance protection, when applicable?	☐	☐

Financial Reporting	**YES**	**NO**
Are payments made at least weekly to the supervisor?	☐	☐
Are receipt forms issued by the supervisor to acknowledge collection?	☐	☐
Are payments made timely to the county treasurer?	☐	☐

Accountability	**YES**	**NO**
Are penalties assessed/collected on late payments?	☐	☐
Is the total amount of penalties collected on overdue real property taxes comparable with that collected in previous year(s)? Do the amounts look reasonable?	☐	☐
Is the tax collector or receiver treating his/her own tax bills properly, e.g., penalties, if required?	☐	☐
Are interest earnings remitted to the supervisor and/or the county as appropriate? (Check county resolution for guidance.)	☐	☐
Are there significant safeguards for the protection of assets and cash, such as a safe or locked file cabinet, offices with locks on the door, regular deposits of cash, etc.?	☐	☐

Comments and Conclusions

_____

_____

_____

_____

Appendix F –
General Recordkeeping Requirements for Town and Village Justice Courts

As a general rule, board members should first gain an understanding of how the court operates, what the general rules and requirements are for financial accountability and reporting, and what types of financial records should be maintained to meet these responsibilities. Many board members, particularly newly elected members, may not be aware of these concerns.

The first step is to ASK! Ask the individuals involved (e.g., justices and court clerks). Ask other more experienced board members. Ask your local government's attorney or call us. OSC issues many publications that provide guidance on a variety of topics that will provide you with needed information. The Comptroller's Justice Court Fund Bureau issues a publication entitled *Handbook for Town and Village Justices and Court Clerks* that provides guidance as well as requirements for justice court transactions.

Court personnel are required to maintain various records and documents pertaining to the cases handled in their respective courts. They are also required to perform certain finance-related duties to account for and report all transactions.[12] Certain financial duties are the direct responsibility of each justice and, in certain circumstances, may not be delegated to other court personnel. Some key recordkeeping requirements are as follows:

Each justice is required to:

1. Maintain an official bank account in his/her name as judicial officer.
2. Issue acceptable receipt forms for all moneys collected.
3. Deposit all moneys received in his/her judicial capacity in the official bank account within 72 hours of collection, exclusive of Sundays and holidays.
4. Submit a monthly report, generally, and remittance to the Justice Court Fund within the first 10 days of the month following collection.[13]

Each court is required to:

1. Maintain individual case files containing all papers and other documents pertaining to each case.
2. Maintain an index of all cases with a unique number assigned to each case when filed.
3. Maintain a cashbook, which chronologically itemizes all receipts and disbursements.
   (Note: For accountability and internal control purposes, OSC recommends that a separate cashbook be maintained for each justice).

[12] Recordkeeping requirements are generally contained in 22 NYCRR Section 214, *et seq*.

[13] With respect to courts that participate in the Invoice Billing Program, within the first 10 days of the month following collection, each justice must electronically file their report with the Justice Court Fund and submit a remittance to the Chief Fiscal Officer, instead of the Justice Court Fund.

Appendix F –

General Recordkeeping Requirements for Town and Village Justice Courts continued

Board members should expect to find the following minimum records for receiving and disbursing moneys (either manually prepared or computerized):

1. Cash receipt records and supporting documents.
2. Cash disbursement records and supporting documents.
3. Bank statements and supporting documents.
4. Accountability worksheets detailing outstanding liabilities and cash available to meet such liabilities. These worksheets should compare net bank balances and cash on-hand to liabilities (e.g., bails and unremitted fines). Any difference between cash and liabilities should be explained. Correction of errors in accounting records, if any, should also be explained.
5. Copies of reports to applicable governmental agencies.

Checklist for Review of Justice Court Records

Cash Receipts	**YES**	**NO**
Is the cash receipts journal up-to-date?	☐	☐
Is the cash receipts journal maintained in a manner that identifies the date received, payer, and the amount of fines, fees, bail, and/or other categories of collection?	☐	☐
Are pre-numbered receipt forms issued for all collections?	☐	☐
Are duplicate receipt copies kept for court records?	☐	☐
Are receipts recorded up-to-date? *Last Recorded Receipt: #* _____ *Date*_____ *Amount* _____		
Are duplicate deposit slips kept for court records?	☐	☐
Do deposit amounts agree with cash receipt amounts?	☐	☐
Are deposits made timely (within 72 hours of collection, exclusive of Sundays and holidays) and recorded up-to-date? *Last Recorded Deposit: Date*_____ *Amount* _____	☐	☐
Are un-deposited cash receipts safeguarded?	☐	☐
Is the cash receipts journal totaled and summarized monthly?	☐	☐

Cash Disbursements	**YES**	**NO**
Is the cash disbursements journal up-to-date?	☐	☐
Is the cash disbursements journal maintained in a manner to identify individual amounts disbursed either individually or totals referenced to abstracts or payrolls?	☐	☐
Are pre-numbered checks used for all disbursements (other than petty cash)?	☐	☐
Are all checks signed by the justice?	☐	☐
Are canceled checks or check images returned with bank statements and maintained on file?	☐	☐
Are all unused checks properly controlled (blank check stock)?	☐	☐
Are checks recorded up-to-date? *Last Recorded Check: #* _____ *Date*_____ *Amount* _____	☐	☐

Cash Reconciliations	**YES**	**NO**
Is the bank account reconciled after bank statements are received? *Last Bank Reconciliation for Each Bank Account:* *Date Performed* _____ *Month Ending* _____	☐	☐

Deposit Protection	**YES**	**NO**
Has the bank pledged adequate, eligible securities to protect court deposits that exceed FDIC insurance protection, if applicable?	☐	☐

Additional Supporting Records	**YES**	**NO**
Is a list of bail maintained?	☐	☐
Is a record of uncollected installment payments maintained?	☐	☐

Dockets and Case Files	**YES**	**NO**
Are separate dockets maintained for various classifications of cases, such as vehicle and traffic, criminal, civil, and small claims?	☐	☐
Are case files maintained for all cases?	☐	☐
Are indexes maintained for all cases?	☐	☐
Do dockets for disposed cases appear to be complete?	☐	☐
Do dockets for disposed cases agree with amounts reported?	☐	☐

Accountability	**YES**	**NO**
Is accountability (a comparison of cash to liabilities) determined at the end of each month?	☐	☐
Do liabilities (as recorded in the court's records) agree with net bank balances (as evidenced on monthly bank reconciliations) plus any cash on hand as of a specified date? *Last Determination of Accountability:* *Date Performed* _____ *Month Ending* _____	☐	☐

Reports to Division of Criminal Justice Services	**YES**	**NO**
Are reports made timely to the Division of Criminal Justice Services?	☐	☐
Has the court received any notices regarding late reporting? *If yes, why were reports late and what corrective actions were taken?* _____	☐	☐

Reports to Justice Court Fund	**YES**	**NO**
Are monthly reports made timely to the Justice Court Fund?	☐	☐
Do reported amounts agree with cash receipt and disbursement books?	☐	☐
Do reported amounts agree with docket dispositions and case files? *Last Report Submitted:* *Month Ending* _____ *Date* _____ *Amount* _____	☐	☐
Has the court received any notices regarding late reporting? *If yes, why were reports late and what corrective actions were taken?* _____	☐	☐

Reporting to Department of Motor Vehicles - TSLE&D Program	**YES**	**NO**
Is information reported timely to TSLE&D?	☐	☐
Are reports from TSLE&D to the court maintained and utilized? *Last TSLE&D Report Available:* *Date* _____	☐	☐
How many cases are shown as pending in the last TSLE&D report? _____	☐	☐
Is the number of pending cases reasonable?	☐	☐
How many cases are shown as pending for more than 90 days?	☐	☐
What actions have been taken to dispose of these cases?	☐	☐
Has the court received any notices regarding pending cases? *If yes, why were the cases pending and what corrective actions were taken, if any?* _____	☐	☐
Has the court received any notices regarding late monthly reporting?	☐	☐

If yes, why were the reports late and what corrective actions were taken? _____		

Comments and Conclusions

_____

_____

_____

_____

Appendix G – General Recordkeeping Requirements for Departments

To exercise effective oversight, as a general rule, the governing board should first gain an understanding of department operations. Board members will need to know the general rules and requirements for financial accountability and reporting. Board members will also need to determine what types of financial records should be maintained to meet these responsibilities. Many board members, particularly those newly elected, may not be familiar with these requirements.

The department's personnel should maintain appropriate records (either manual or computerized) to account for money received and disbursed. Board members should expect to find the following minimum records:

1. Cash receipt records and supporting documents.
2. Cash disbursement records and supporting documents.
3. Bank statements and supporting documents.
4. Determinations of accountability.
5. Reports to the chief fiscal officer or other applicable officials, individuals, entities, or agencies.

Checklist for Review of Departments

The following checklist may be used for reviewing departments that receive and/or disburse cash.

Cash Receipts	**YES**	**NO**
Is the cash receipts journal up-to-date?	☐	☐
Is the cash receipts journal maintained in a manner that identifies the date received, payer, purpose, and the amount either individually or totals referenced to subsidiary receipt records?	☐	☐
Are duplicate deposit slips kept?	☐	☐
Do deposit amounts agree with cash receipt amounts?	☐	☐
Are deposits made timely and recorded up-to-date? *Last Recorded Deposit: Date*_____ *Amount* _____	☐	☐
Are un-deposited cash receipts safeguarded?	☐	☐
Is the cash receipts journal totaled and summarized monthly?	☐	☐

Cash Disbursements	**YES**	**NO**
Is the cash disbursements journal up-to-date?	☐	☐
Is the cash disbursements journal maintained in a manner to identify amounts disbursed either individually or totals referenced to abstracts or payrolls?	☐	☐
Are pre-numbered checks used for all disbursements (other than petty cash)?	☐	☐
Are all checks signed by the appropriate official?	☐	☐
If checks are signed electronically, is the signature stamp or software in the custody and control of the department head?	☐	☐
Are canceled checks or check images returned with bank statements and maintained on file?	☐	☐
Are all unused checks properly controlled (blank check stock)?	☐	☐
Are checks recorded up-to-date? *Last Recorded Check: #* _____ *Date*_____ *Amount* _____	☐	☐
Are payments supported by appropriate documentation? Consider comparing a sample of disbursements with supporting documentation.	☐	☐

Cash Reconciliations	**YES**	**NO**
Are bank accounts reconciled? *By Whom?* _____ *How Often?* _____ *Who Reviews/Verifies Them?* _____	☐	☐
Is the bank reconciliation performed timely after the bank statement is received?	☐	☐
Are reconciliations documented and available for review?	☐	☐
Does the reconciled bank balance agree with the cash balance recorded in the accounting records?	☐	☐

Last Bank Reconciliation for Each Bank Account

Bank Account	Date Performed	Month Ending

Deposit Protection	**YES**	**NO**
Has the bank pledged adequate, eligible securities to protect deposits (held in department bank accounts) that exceed FDIC insurance protection, if applicable?	☐	☐

Accountability	**YES**	**NO**
Is accountability (what the department owes) determined at the end of each month?	☐	☐
Does accountability agree with bank reconciliation and supporting records?	☐	☐
Are receipts for the year comparable with those of previous years?	☐	☐
Are there significant safeguards for the protection of records and cash, such as a safe or a locking file cabinet, an office with a door that can be locked, regular deposits of cash, etc.?	☐	☐

Financial Reporting	**YES**	**NO**
Are monthly reports and payments to the chief fiscal officer timely?	☐	☐
Are monthly reports and payments to other appropriate officials, individuals, entities, or agencies timely?	☐	☐
Do amounts reported agree with summarized cash receipt and disbursement books?	☐	☐
Are annual reports prepared and submitted timely?	☐	☐
Do annual reports agree with the records?	☐	☐

Other Concerns *(if applicable)*	**YES**	**NO**
Are receivable control accounts maintained?	☐	☐
Is there indication that the receivable control accounts are reconciled to the detail subsidiary records?	☐	☐

Comments and Conclusions

_____

_____

_____

_____

Division of Local Government and School Accountability

Central Office Directory

Andrew A. SanFilippo, Executive Deputy Comptroller

(Area code for the following is 518 unless otherwise specified)

Executive 474-4037
Gabriel F. Deyo, Deputy Comptroller
Nathaalie N. Carey, Assistant Comptroller

Audits, Local Government Services and Professional Standards 474-5404
(Audits, Technical Assistance, Accounting and Audit Standards)

Local Government and School Accountability Help Line ..... (866)321-8503 or 408-4934
(Electronic Filing, Financial Reporting, Justice Courts, Training)

New York State Retirement System

Retirement Information Services
Inquiries on Employee Benefits and Programs 474-7736

Bureau of Member and Employer Services ..... (866)805-0990 or 474-1101
Monthly Reporting Inquiries 474-1080
Audits and Plan Changes 474-0167
All Other Employer Inquiries 474-6535

Division of Legal Services

Municipal Law Section 474-5586

Other OSC Offices

Bureau of State Expenditures 486-3017

Bureau of State Contracts 474-4622

Mailing Address for all of the above:

Office of the State Comptroller,
110 State St., Albany, New York 12236
email: **localgov@osc.state.ny.us**

Division of Local Government and School Accountability

Regional Office Directory

Andrew A. SanFilippo, Executive Deputy Comptroller

Gabriel F. Deyo, Deputy Comptroller (518) 474-4037

Nathaalie N. Carey, Assistant Comptroller

Cole H. Hickland, Director • **Jack Dougherty**, Director
Direct Services (518) 474-5480

BINGHAMTON REGIONAL OFFICE - H. Todd Eames, Chief Examiner
State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417
Tel (607) 721-8306 • **Fax** (607) 721-8313 • **Email:** Muni-Binghamton@osc.state.ny.us
Serving: Broome, Chenango, Cortland, Delaware, Otsego, Schoharie, Sullivan, Tioga, Tompkins counties

BUFFALO REGIONAL OFFICE – Jeffrey D. Mazula, Chief Examiner
295 Main Street, Suite 1032 • Buffalo, New York 14203-2510
Tel (716) 847-3647 • **Fax** (716) 847-3643 • **Email:** Muni-Buffalo@osc.state.ny.us
Serving: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming counties

GLENS FALLS REGIONAL OFFICE - Jeffrey P. Leonard, Chief Examiner
One Broad Street Plaza • Glens Falls, New York 12801-4396
Tel (518) 793-0057 • **Fax** (518) 793-5797 • **Email:** Muni-GlensFalls@osc.state.ny.us
Serving: Albany, Clinton, Essex, Franklin, Fulton, Hamilton, Montgomery, Rensselaer, Saratoga, Schenectady, Warren, Washington counties

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief Examiner
NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York 11788-5533
Tel (631) 952-6534 • **Fax** (631) 952-6530 • **Email:** Muni-Hauppauge@osc.state.ny.us
Serving: Nassau, Suffolk counties

NEWBURGH REGIONAL OFFICE – Tenneh Blamah, Chief Examiner
33 Airport Center Drive, Suite 103 • New Windsor, New York 12553-4725
Tel (845) 567-0858 • **Fax** (845) 567-0080 • **Email:** Muni-Newburgh@osc.state.ny.us
Serving: Columbia, Dutchess, Greene, Orange, Putnam, Rockland, Ulster, Westchester counties

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief Examiner
The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608
Tel (585) 454-2460 • **Fax** (585) 454-3545 • **Email:** Muni-Rochester@osc.state.ny.us
Serving: Cayuga, Chemung, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief Examiner
State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428
Tel (315) 428-4192 • **Fax** (315) 426-2119 • **Email:** Muni-Syracuse@osc.state.ny.us
Serving: Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, St. Lawrence counties

STATEWIDE AUDIT - Ann C. Singer, Chief Examiner
State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417
Tel (607) 721-8306 • **Fax** (607) 721-8313

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