



Town of Wethersfield

Town Clerk and Highway Operations

Report of Examination

Period Covered:

January 1, 2011 — December 31, 2012

2013M- 21



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2013

Dear Town Officials,

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Wethersfield, entitled Town Clerk and Highway Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Wethersfield (Town) is located in Wyoming County and has approximately 900 residents. The Town is governed by an elected Town Board (Board), which consists of the Town Supervisor (Supervisor) and four council members. The Board is responsible for overseeing the financial activities of the Town including, among other things, reviewing the financial activity of the Town Clerk (Clerk) and Highway Department, adopting a procurement policy, and auditing and approving claims prior to payment. The 2012 budgeted appropriations were \$315,802 for the general fund and \$743,523 for the highway fund.

Scope and Objective

The objective of our audit was to review the Town's internal controls over selected financial operations for the period January 1, 2011, to December 31, 2012. Our audit addressed the following related questions:

- Are internal controls over Town Clerk operations appropriately designed and operating effectively to allow for the proper accounting of financial activity?
- Are internal controls over Highway Department operations appropriately designed and operating effectively to safeguard Town assets?

Audit Results

Internal controls over the Clerk's financial activities were not appropriately designed or operating effectively to adequately safeguard cash receipts. The Clerk's cash receipts records were unreliable. The Clerk did not make deposits and remit moneys to appropriate agencies in a timely manner. She also inappropriately intermingled \$340 in personal funds with her Clerk financial activity to cover a cash shortage. Further, the Clerk did not adequately account for dog licenses issued. These discrepancies occurred because duties within the Clerk's office were not properly segregated and the Board did not provide adequate oversight over her work. Town officials also failed to provide us with evidence that an annual audit was conducted of the Clerk's records and reports. As a result of these internal control deficiencies, there is an increased risk of misuse or misappropriation of Clerk funds.

The Highway Superintendent and Board did not establish an adequate system of internal controls over Highway Department operations. The Board did not adopt a procurement policy and the Highway Superintendent did not routinely obtain quotes prior to purchasing goods and services. The Board did not provide an adequate review of claims prior to approving them for payment, which resulted in over \$14,000 in duplicate/over payments to four vendors. Furthermore, Highway Department inventory

records for consumables such as fuel and auto parts were not adequate. Because of the Highway Superintendent's lack of controls over the Town's fuel inventories, we could not determine if 5,000 gallons of unaccounted-for fuel, valued at \$15,000, was unauthorized usage or if the usage was for appropriate Town purposes and merely not recorded in the records. This lack of controls exposes Town assets to the risk of waste and abuse.

Comments of Local Officials

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our recommendation and indicated they planned to initiate corrective action.

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 forwarded to our office within 90 days, pursuant to Section 35 of the 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 this plan available for public review in the Town Clerk's office.

Introduction

Background

The Town of Wethersfield (Town) is located in Wyoming County and has approximately 900 residents. The Town is governed by an elected Town Board (Board), which consists of the Town Supervisor (Supervisor) and four council members. The Board is responsible for overseeing the financial activities of the Town including, among other things, reviewing the financial activity of the Town Clerk and Highway Department, adopting a procurement policy, and auditing and approving claims prior to payment. The 2012 budgeted appropriations were \$315,802 for the general fund and \$743,523 for the highway fund.

The elected Town Clerk (Clerk) prepares Board meeting minutes, is the custodian of all official Town documents, and collects cash and checks for various fees such as dog licenses, hunting licenses, marriage licenses, and copies of death certificates. Generally, the fees collected are the property of the State, County or the Town, and the Clerk is responsible for making monthly remittances to the appropriate government agencies. The Clerk reported cash receipts totaling \$4,806 for 2011 and \$2,734 from January through September 2012.

The Town also has an elected Highway Superintendent who is responsible for overseeing all Highway Department operations including maintaining Town roads, bridges, and culverts, and providing snow removal services. The Superintendent is responsible for approving Highway purchases; he then submits these claims to the Board for audit and approval for payment.

The Town maintains two above-ground fuel storage tanks at its Highway facility: a 2,000-gallon tank for diesel fuel and a 300-gallon tank for gasoline. The majority of the Highway equipment requires diesel fuel. The Highway Department has over 15 vehicles and major equipment for the Superintendent and his employees to perform the Department's operations. The Superintendent also is responsible for recording and monitoring the use of consumable inventories, such as fuel, auto parts and other supplies.

Objective

The objective of our audit was to review the Town's internal controls over selected financial operations. Our audit addressed the following related questions:

- Are internal controls over Town Clerk operations appropriately designed and operating effectively to allow for the proper accounting of financial activity?

- Are internal controls over Highway Department operations appropriately designed and operating effectively to safeguard Town assets?

**Scope and
Methodology**

We examined Town Clerk and Highway Department operations for the period January 1, 2011, through December 31, 2012.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our recommendation and indicated they planned to initiate corrective action.

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 forwarded to our office within 90 days, pursuant to Section 35 of the 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 this plan available for public review in the Town Clerk's office.

Town Clerk Operations

The Town Clerk (Clerk) is responsible for receiving, recording, depositing, disbursing, and reporting all moneys collected in an accurate and timely manner. This requires maintaining complete and accurate accounting records, ensuring that moneys received are safeguarded, promptly depositing moneys received into the Clerk's bank accounts, and then disbursing those moneys to the appropriate parties. The Board is responsible for overseeing the Clerk's operations. This is accomplished, in part, by performing the required annual audit of the Clerk's records either itself or by engaging the services of an independent public accountant.

Internal controls over the Clerk's financial activities were not appropriately designed or operating effectively to adequately safeguard cash receipts. The Clerk's cash receipts records were unreliable. The Clerk did not make deposits and remit moneys to appropriate agencies in a timely manner. She also inappropriately intermingled \$340 in personal funds with her Clerk financial activity to cover a cash shortage. Further, the Clerk did not adequately account for dog licenses issued. These discrepancies occurred because duties within the Clerk's office were not properly segregated and the Board did not provide adequate oversight over her work. Town officials also failed to provide us with evidence that an annual audit was conducted of the Clerk's records and reports. As a result of these internal control deficiencies, there is an increased risk of misuse or misappropriation of Clerk funds.

Financial Records

To ensure that Town funds are adequately accounted for, it is imperative that the financial records are accurate and complete. All cash receipts and disbursements must be properly recorded in the financial records, deposits and remittances to other government agencies should be made in a timely manner, and duplicate receipts should be issued for all cash transactions. In addition, the Clerk should ensure that bank accounts contain sufficient funds prior to writing checks against them.

We found significant deficiencies in the Clerk's financial records. The Clerk's duties were not segregated, which allowed for errors and irregularities to occur without detection or correction. Further, because the Board did not provide for an effective audit of the Clerk's records, it could not provide assurance that all moneys were properly accounted for. Had the Board provided adequate oversight of the Clerk's financial records, the deficiencies found below may have been identified sooner and prompt corrective action could have been taken.

Cash Receipt Records – The Clerk is responsible for ensuring that all money collected is properly recorded in her accounting records and that deposit amounts correspond to receipts received and recorded. We were unable to rely on the Clerk’s cash receipts records because not all amounts deposited in the bank corresponded with entries in the Clerk’s cash receipt records. Therefore, we obtained verification from the bank regarding the composition of seven deposits totaling \$1,453. Three of those deposits totaling \$754 did not agree with the Clerk’s cash receipt records. For example, two deposits totaling \$340 in cash were not recorded in the Clerk’s cash receipt records. The Clerk told us that since her bank account was overdrawn during 2011, she used \$340 of her personal funds to subsidize the Town’s bank account. However, the Clerk’s receipts and corresponding deposits for any given month should match the amount of moneys disbursed in the following month. Therefore, the account should not have been overdrawn.

Dog Licenses – State law requires that all dogs older than four months be licensed; dog owners must renew the licenses annually. The Clerk is responsible for collecting fees for dog licenses; she reported collecting \$1,387 in these fees in her 2011 annual report. The State also requires that all municipalities retain the services of an animal control officer for the purpose of controlling dogs and enforcing the laws regarding dogs. The Town contracts with Wyoming County for animal control services. The County charges the Town based on the dog population and the number of kennels within the Town. A dog enumeration, or census, is conducted to determine how many dogs are in each town.

During 2009, the Town conducted a dog enumeration that identified 390 dogs and four kennels within the Town. The County’s Animal Control Officer indicated that the County relies on the Clerk to provide her with information on unpaid licenses to enforce. The Animal Control Officer has not received any information from the Clerk in the past few years and therefore, has not enforced any unpaid licenses within the Town.

The Clerk’s 2011 receipt records indicated that she collected only \$1,387 for licenses issued for 173 dogs, or 217 fewer dogs than identified by the enumeration. A review of the Clerk’s 2011 dog license files indicated that she only had files for 243 dogs, or 147 fewer dogs than identified by the enumeration.

It was unclear if this significant discrepancy occurred because the Clerk was failing to enforce the unpaid dog licenses or if fees¹

¹ We were unable to quantify the exact amount due to the differences in fees the Town applies on spayed and neutered dogs.

were being misappropriated. The Clerk told us that the significant discrepancy likely occurred because, many times, the dog's owner does not pay the licensing fee. She also indicated that she is in the process of preparing a listing for the County identifying the owners who have not paid.

By failing to provide the Animal Control Officer with a listing of owners who have not paid for their dog's license, enforcement procedures are not being performed. As a result, the Board cannot adequately ensure that the Town is receiving all the revenues to which it is entitled.

Deposits – Town Law requires the Clerk to keep a suitable record of all moneys received and to deposit all moneys collected no later than the third business day after receiving an accumulated amount of \$250. As discussed above, the Clerk did not maintain a suitable record of cash receipts, making it difficult to determine whether she deposited all moneys collected. We reviewed available documentation and found that she did not always deposit moneys collected in a timely manner. Specifically, during 2011, there were seven deposits totaling \$3,238 made that amounted to more than \$250. Six of these deposits totaling \$2,946 were made between eight and 52 days late. For example, the cash receipt records indicated that \$257 was collected during March 2011; this deposit was not made until May 2011. Similarly, the Clerk collected nearly \$800 on June 25, 2011, but did not deposit the funds until July 12, 2011. Failure to properly record and make deposits in a timely manner increases the risk that receipts could be lost or misappropriated.

Duplicate Receipts – General Municipal Law requires that, where there is no other evidence of collection, Town officials must issue a duplicate press-numbered receipt and retain a copy to support the collection. The Clerk did not always issue duplicate receipts when receiving money. We reviewed the duplicate receipt book from October to December 2011² and found that only one receipt in the amount of \$60 was issued during that time period. However, the Clerk's cash receipt journal indicated that 38 transactions resulting in fees were collected, totaling approximately \$500, during that time period. When duplicate receipts are not issued upon collection of cash, the risk is greatly increased that cash could be misappropriated without detection.

Remittances – Generally, all fees received by the Clerk are the property of the State, County, or Town. The Clerk must accurately report the

² We selected October 2011 as the starting point by using a random number generator.

amounts collected and pay those amounts to the appropriate agencies³ in a timely manner. Although the Clerk generally remitted moneys to the Supervisor within a timely manner, she did not make remittances to the County promptly.

We reviewed all 69 checks totaling \$4,241 drawn on the Clerk's account that cleared the bank during the period January 2011 through October 16, 2012, and found that 33 checks totaling \$1,623, or nearly 50 percent, were remitted more than a month after the fees were collected.

When fees are not remitted to the proper agencies in a timely manner, the risk is increased that these moneys could be lost or misappropriated.

Bank Fees – During 2011, the Clerk's bank account was charged a total of \$210 in bank fees because the Clerk wrote checks against her account even though it had insufficient funds available. Further, during May 2011, the Clerk's bank account was overdrawn by \$228; if the Clerk had made deposits in a timely manner, this would not have occurred, because the Clerk only writes checks to other entities to remit collections she received in the previous month.

By not adequately recording, depositing and remitting cash receipts, there is a significant risk of misuse or misappropriation of Clerk funds.

Segregation of Duties

A well-designed system of internal controls is necessary to ensure that cash received by the Clerk is safeguarded. Proper segregation of duties ensures that no one person controls all phases of a transaction and provides for the work of one employee to be verified by another employee in the course of his/her duties. When segregation of duties is not achievable, compensating controls should be implemented, such as management oversight.

The Clerk performs virtually every aspect of the cash accounting function, including collecting cash, recording transactions, making deposits and disbursing moneys to the appropriate parties. The Board did not implement any compensating controls for the Clerk's activity.

Concentrating key duties with one individual, with little or no compensating controls, significantly increases the risk that errors or irregularities could occur and remain undetected and uncorrected. Because the Clerk's duties were not segregated, she had the opportunity to misappropriate Town funds without detection.

³ The New York State Department of Environmental Conservation withdraws money from Town Clerk accounts directly, based upon their sales of hunting and fishing licenses.

Board Oversight

Town Law requires that the Board annually audit the Clerk's records and reports, or hire an independent public accountant for that purpose. In conducting the review, it is important for the Board to determine whether the Clerk has effective procedures in place to ensure that her financial transactions are properly recorded and reported, deposits and remittances are timely and that all moneys are properly accounted for.

The Supervisor stated that Board members are not auditors and, therefore, do not audit these records. However, had Board members simply reviewed the bank statements, they would have observed that the Clerk's account was overdrawn, no deposits were made in certain months, and remittances to the County were significantly late. The Board also could have reviewed the Clerk's annual report and questioned why she had issued only 88 dog licenses in 2011, when the Board had previously approved a bill and paid the Dog Enumerator and the County for animal control services for 390 dogs within the Town. Any of these observations may have prompted Board members to request additional information from the Clerk to provide them with more assurance that her financial activity was being appropriately conducted and fully accounted for.

Recommendations

1. The Clerk should ensure that all fees collected are recorded accurately and deposited in a timely manner.
2. The Clerk should monitor unpaid dog licenses and report any unpaid fees to the Animal Control Officer for enforcement.
3. The Clerk should issue duplicate press-numbered receipts where no other form of receipt is available.
4. The Clerk should make remittances to the State, County and Town in a timely manner.
5. The Clerk should contact the bank to determine if overdrawn bank fees can be reversed.
6. The Board should audit the Clerk's records on an annual basis. Evidence of an audit as well as the results of the audit, should be retained and documented in the minutes.

Highway Department Operations

The Highway Superintendent and Board are responsible for establishing a system of internal controls over Highway Department operations. For example, the Board must adopt a procurement policy requiring that competitive bids and quotations be obtained before purchasing goods and services. Further, the Board must conduct a thorough review of all claims prior to approving them for payment. Finally, the Highway Superintendent should maintain accurate records of consumable inventories, such as auto parts and fuel, which should be periodically reviewed by the Board. These controls will help ensure that taxpayer dollars are expended in the most effective manner.

The Highway Superintendent and Board did not establish an adequate system of internal controls over Highway Department operations. The Board did not adopt a procurement policy and the Highway Superintendent did not routinely obtain quotes prior to purchasing goods and services. The Board did not provide an adequate review of claims prior to approving them for payment, which resulted in over \$14,000 in duplicate/over payments to four vendors. Furthermore, Highway Department inventory records for consumables such as fuel and auto parts were not adequate. Because of the Highway Superintendent's lack of controls over the Town's fuel inventories, we could not determine if 5,000 gallons of unaccounted-for fuel, valued at \$15,000, was unauthorized usage or if the usage was for appropriate Town purposes and merely not recorded in the records. This lack of controls exposes Town assets to the risk of waste and abuse.

Procurement

General Municipal Law requires the Board to adopt a written policy governing the procurement of goods and services to help ensure that the Town purchases goods and services of desired quality at the lowest possible cost. It is important for the procurement policy to indicate when Town officials need to solicit competitive bids⁴ or obtain written or verbal quotes, identify the procedures for determining which method will be used, and require that adequate documentation be maintained. For example, purchases made from a New York State Office of General Services (OGS) contract or through a County contract are exempt from competitive bidding. The Town's policy should require Town officials to attach relevant State

⁴ Effective November 2, 2009, amendments to the General Municipal Law increased the bidding threshold for public works contracts from \$20,000 to \$35,000; the bidding threshold for purchase contracts was increased from \$10,000 to \$20,000 effective June 22, 2010.

or County contract information to the vendor's claim prior to audit by the Board. The Board must annually review the policy and revise it as needed.

The Board did not adopt a written procurement policy. As such, Town employees did not have clear guidelines on obtaining competition prior to making a purchase. We reviewed 29 Highway Department claims for fuel, road materials, and equipment totaling nearly \$407,000 to determine if the Highway Superintendent obtained bids or quotes when purchasing these items. Twenty-three purchases totaling approximately \$352,000 required competitive bids, but the Town did not obtain bids for 21 purchases totaling \$290,700. For example, from January 2011 to August 2012, the Town paid nearly \$140,000 for diesel fuel and unleaded gasoline delivered to the storage tanks at the Highway Department. These purchases were required to be competitively bid or purchased through a State or County contract. There was no evidence that the Highway Superintendent obtained competitive bids. Had the Town used the vendor that was awarded the State contract, it could have saved at least \$3,200⁵ for these fuel purchases.

Furthermore, six purchases totaling \$55,000 should have been procured using competitive quotes to ensure a fair price. However, the Highway Superintendent did not obtain any quotes for these purchases. For example, in April, 2011, the Highway Superintendent purchased a new lawn mower for \$7,600. In May 2012, the Highway Superintendent purchased another new mower by trading in the mower purchased in 2011 and paying an additional \$1,500. The Highway Superintendent did not solicit quotes from other vendors for either purchase. The Highway Superintendent indicated that because the salesman was a Town resident, the Board approved the mower purchase without first requiring that Town officials obtain quotes. In total, the Town paid \$9,100 for equipment during 2011 and 2012 to mow four areas within the Town. We determined that this equipment was used sparingly⁶ and, therefore, we question the need to expend taxpayer funds to replace it after only a year.

⁵ Our savings projections were based on a review of diesel fuel purchased from January 2012 to October 2012 and gasoline purchased from January 2011 to May 2012. Sufficient documentation was not attached to four of the 2012 fuel claims, so we were unable to perform price comparisons on more than \$22,000 in fuel purchases. Had we been able to compare prices for these claims, the savings may have been greater.

⁶ The September 2012 minutes documented a discussion between the Highway Superintendent and the Board about the cemetery not being mowed during the summer. We also found that there were only four entries in the fuel records for mowing from January 2011 through September 2012, which evidences very limited usage. We also reviewed documentation indicating that the Town used the County's mower and other equipment to cut brush along Town roads.

The Board has a responsibility to its constituents to ensure that purchases are made at the lowest possible cost. Without adequate policies in place to solicit and document bids and quotes, there is little assurance that all goods and services were purchased at the lowest cost.

Duplicate Payments

Conducting a proper audit of claims prior to approving them for payment is an integral part of any internal control system. The Board's audit of claims should include a deliberate and thorough review of each claim to determine whether it represents a valid, legal, and necessary obligation incurred by an authorized official, is in its proper form, is mathematically correct, is supported by sufficient original documentation, does not include charges that were previously paid, and complies with Town policies.

We randomly selected 40 claims totaling \$134,876 that were paid from January 2011 through September 2012 and found that 13 (or 33 percent) totaling \$57,111 did not contain sufficient original documentation, but rather were supported by faxed copies or billing summaries. As a result of insufficient supporting documentation and an inadequate review, the Board approved – and the Supervisor made – duplicate payments totaling over \$14,000 during 2011 and 2012.

As an example of an overpayment, on March 13, 2012, the Town paid a vendor \$8,058 for road materials; this payment was based on original invoices, approved by the Highway Superintendent and audited by the Board. In April 2012, the Town paid the same vendor \$11,104; this payment was based on original invoices for road materials, totaling \$3,046, as well as a monthly billing statement that showed a balance due of \$8,058. However, the Town had already paid \$8,058 in the previous month. Had the Board properly audited this claims voucher, it would have avoided this double payment. Unfortunately, the Board's audit function is so inadequate that it approved another overpayment the following month; it approved the payment of \$3,046 from the monthly billing summary, even though that amount was previously paid during April 2012. Had the Board made it a practice of only approving claims based on original invoices, it would have likely paid these amounts only once.

The Highway Superintendent indicated that sometimes errors are made because he does not have sufficient time to prepare and review vouchers before the monthly Board meetings. However, during April 2012, the month when an overpayment was made, there were only 13 highway bills. The Highway Superintendent indicated that the overpayment issue will resolve itself because he purchases materials from this same vendor routinely, so the vendor would apply the overpayment on the Town's account to future purchases. However,

when overpayments are made to a vendor and future purchases are applied to the Town's credit balance, there is an inherent fraud risk that future purchases may not be for legitimate Town purposes and will go undetected by the Board because no claim would be presented to the Board for audit.

From June 1, 2012, through November 27, 2012, Town officials made approximately \$9,600 in purchases from this vendor that they did not submit to the Board for audit and approval. The Highway Superintendent did not maintain documentation identifying the items purchased. As such, the Board does not have assurance that these purchases were for legitimate Town purposes. As of November 2012, the Town still had a credit balance of \$1,503 remaining on its account with this vendor. Therefore, Town funds remain at risk of being misappropriated if the Highway Superintendent makes purchases using this credit balance without presenting valid documentation to the Board for review and approval.

Fuel

The Highway Superintendent is responsible for ensuring that fuel supplies are adequately safeguarded and accounted for, and protected against the risk of loss, waste, and misuse. To accomplish this, perpetual inventory records should be maintained to account for the amount of fuel purchased, used and the balance remaining. The fuel balances in the perpetual records should be periodically reconciled to physical inventories, and material discrepancies investigated and resolved. It also is important for the Board to periodically review fuel usage records to ensure that fuel is used only for Town purposes and that all fuel is accounted for.

The Highway Superintendent did not ensure that fuel supplies were adequately safeguarded and accounted for. While he maintained fuel logs showing quantities of fuel dispensed, he did not maintain perpetual inventory records to account for the amount of fuel that should be in the tanks at any given time. In addition, the Town did not have a calibrated stick or electronic gauge that would enable the Highway Superintendent to take a physical inventory of the fuel on hand. Consequently, he did not reconcile his records to the actual amount of fuel on hand. The Highway Superintendent indicated that he could not use a calibrated stick because of the low roof covering the tanks.

Further, when we reviewed the fuel usage records, we found inconsistencies. For example, the pickup truck used by the Highway Superintendent showed two entries in one day during July 2012 totaling more than 250 gallons of fuel. One entry showed 225 gallons were dispensed even though the pickup's fuel tank capacity is only 35 gallons. The Highway Superintendent indicated that he generally

keeps track of usage in his pickup and posts it to the fuel usage records later. In fact, from January 2011 through September 2012, we found 28 instances in the fuel records where a single entry was 100 gallons or more for various highway department vehicles.

We compared fuel purchases with usage records from January 2011 through May 2012. During this time period, the Town purchased approximately 39,500 gallons of fuel. However, fuel usage records indicate only about 34,500 gallons of fuel was used for Town vehicles. Because the Highway Superintendent does not maintain adequate usage records or take a physical inventory of fuel, he could not explain this discrepancy of approximately 5,000 gallons of fuel, valued at \$15,000.⁷ Due to the Highway Superintendent's lack of controls over the Town's fuel inventories, we could not determine if the unaccounted-for fuel was unauthorized usage or if the usage was for appropriate Town purposes and merely not recorded in the records.

Failure to maintain adequate fuel usage records and to perform fuel usage reconciliations increases the risk that fuel could be used for non-Town purposes without detection and correction. This lack of controls exposes Town assets to the risk of waste and abuse.

Vehicle Maintenance Records

It is important to maintain accurate and complete records of parts used and maintenance completed on Town vehicles to ensure that purchased parts and materials were actually used for valid Town purposes. When a vehicle needs repairs or maintenance, a Highway employee either performs the work or takes the vehicle to a service shop. The employee is then responsible for providing the date and a brief description of the service work in the vehicle maintenance record.

We found that the Town's vehicle maintenance records were generally inadequate and incomplete. We compared the purchase of auto parts and supplies listed on 16 claims, totaling \$45,000,⁸ to the maintenance records. Only three of the purchases totaling \$7,851 were included in the records. Additionally, the Highway Superintendent does not require his employees to maintain vehicle maintenance records for the Highway Department's pickup trucks. He indicated that, because these vehicles are generally traded-in every few years, he did not feel maintenance records were necessary.

⁷ Using a per gallon value of \$3.00

⁸ We chose our sample by judgmentally selecting purchases with amounts over \$1,000 from January 1, 2011 through September 1, 2012. We then refined our sample by using a random number generator.

Without accurate and complete maintenance records detailing the parts used and services performed, Town officials cannot ensure taxpayers that all purchased parts and materials were used for valid Town purposes.

Recommendations

7. The Board should adopt a purchasing policy, as required by law, to provide guidance to officials when procuring goods and services for the Town. Annually, the Board should review and revise this policy, as necessary.
8. The Board should ensure that the Highway Superintendent complies with its adopted procurement policy.
9. The Board should conduct a proper audit of claims prior to approving them for payment.
10. The Supervisor should promptly contact the vendor for a refund of duplicate payments.
11. The Highway Superintendent should maintain accurate perpetual fuel inventory records and periodically reconcile them to physical inventories. Any differences should be promptly investigated and resolved.
12. The Board should periodically review the fuel reconciliations and other fuel records maintained by the Highway Superintendent.
13. The Highway Superintendent should maintain complete, accurate and up-to-date vehicle maintenance records.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

Town of Wethersfield

4362 Route 78
Gainesville, New York 14066
585-322-0118

Supervisor
John F. Copeland

Town Clerk
Gail Vosburg

Supt. of Highways
William Parmerter

10 May 13

To: Office of the State Comptroller
Re: Response to an OSC Audit Report
From: Supervisor John F Copeland

First of all I would like to begin by complementing on how the audit was conducted. The auditor was professional & courteous she was a pleasure to work with.

The Town of Wethersfield's Officials reviewed the findings in the Draft Report of Examination. The Town Board, Town Clerk, Highway Superintendent & Supervisor all concur with the findings & recommendations.

Town Clerk

The Town Board will provide more oversight over the Town Clerk's duties.

The Clerk will be more diligent in ensuring deposits & remittances are being done in more timely matter.

The Clerk will work closely with the Animal Control Officer and dog enumerator to ensure compliance with current licensing of dogs in the Town.

Receipts will be written for all transactions in a bound receipt book with pressed numbers.

The Clerk will contact the bank if the overdraft fees can be reversed.

Highway

The Town Board agrees & will be adopting a Purchasing Policy that will provide guidance when procuring goods & services for the Town.

The Town Board will require that a detailed invoice be attached to all claims for payment.

The Town Board will be working on a policy & procedure for maintaining fuel records as well as maintenance records on all Town owned equipment.

I believe this covers all the listed concerns, if I have missed something please contact me ASAP so it can be addressed.

Respectfully Submitted

Supervisor John F. Copeland

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: Highway operations, Town Clerk operations, tax collection operations, Supervisor's records and reports, Justice Court operations, claims processing, procurement, cash receipts and disbursements, and payroll.

During the initial assessment, we interviewed appropriate Town officials, performed tests of transactions and reviewed pertinent documents, such as Town policies, Board minutes, and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected internal controls over Town Clerk and Highway operations for further review.

To accomplish the objectives of the audit and obtain valid audit evidence, our procedures included the following steps:

- We interviewed Town officials to determine policies and procedures in place over Town Clerk and Highway operations. This included inquiring about annual audit requirements, procurement practices and policies, the claims audit process, Board oversight and other pertinent information.
- We examined the Clerk's accounting records, bank statements, canceled check images, duplicate deposit tickets, monthly reports, bank deposit compositions, and duplicate receipts.
- We verified the Clerk's monthly accountability for September 2012, which was the most recently completed month at the start of the audit.
- We compared seven bank compositions with the accounting records.
- To determine if duplicate receipts were issued, we compared the duplicate receipt book with the accounting records from October to December 2011.
- We traced cash receipt journal entries to bank deposits to determine if receipts were deposited timely and intact.
- We reviewed canceled check images to determine if the Clerk's remittances to the Supervisor and County were made in a timely manner.

- We compared the Town's 2009 Dog Enumeration records with the Clerk's dog license information on file, the cash receipts journal and the voucher paid to the County for Animal Control Services.
- We reviewed Highway claims to determine if sufficient documentation and itemization was included.
- We interviewed Town officials to determine if they solicited bids or quotes when purchasing road materials, fuel and equipment.
- We compared fuel usage records with fuel purchases.
- We compared the price paid for Highway fuel with State contract prices for diesel and gasoline.
- We reviewed claims to identify parts and repairs on Town equipment and compared those purchases with vehicle maintenance records.

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.

APPENDIX C

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