

# Town of Bovina

## Records and Reports

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DECEMBER 2019

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Town of Bovina

### Audit Objective

Determine whether the Supervisor maintained complete, accurate and timely accounting records and reports.

### Key Findings

- The Supervisor did not maintain complete, accurate or timely accounting records and reports.
- The Board has not received financial reports since February 2018.
- Annual update documents (AUDs), which are the annual financial reports, have not been filed for the fiscal years ending December 31, 2017 and 2018.

### Key Recommendations

- Maintain complete, accurate and timely accounting records.
- Provide accurate and timely budget-to-actual and other financial reports to the Board.
- File AUDs in a timely manner.

Town officials generally agreed with our findings and indicated they plan to initiate corrective action.

### Background

The Town of Bovina (Town) is located in Delaware County.

The Town is governed by an elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four council members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor is the chief executive and chief financial officer.

The Board appointed a bookkeeper at the Supervisor's recommendation. The bookkeeper assists the Supervisor by maintaining all accounting records, generating internal and external financial reports and developing the budget.

The Town has four major operating funds: general, highway, water and sewer (major operating funds). In 2016, the Board approved a capital project (Well Project) to install a second water source for the Town's water system.

#### Quick Facts

|   |               |
|---|---------------|
| <b>2019 Budgeted Appropriations for Major Operating Funds</b> | \$1.3 million |
|---|---------------|

|  |           |
|--|-----------|
| <b>2019 Real Property Tax Levy for Major Operating Funds</b> | \$747,732 |
|--|-----------|

|                   |     |
|-------------------|-----|
| <b>Population</b> | 633 |
|-------------------|-----|

### Audit Period

January 1, 2018 – March 12, 2019. We extended our audit period back to December 31, 2016 to assess financial condition trends, and forward to June 25, 2019 to determine whether annual financial reports were filed in a timely manner.

# Records and Reports

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## What Are Complete, Accurate and Timely Accounting Records and Reports?

Town supervisors are responsible for maintaining accurate financial records that summarize financial activities. The accounting records should document the assets, liabilities, fund equity and results of operations (revenues and expenditures) for each town fund. If the supervisor assigns these duties to a bookkeeper, the supervisor should provide sufficient oversight to ensure the bookkeeper maintains suitable records, documents financial information accurately and timely, and provides useful reports to the board.

The supervisor performs an essential control activity that helps ensure all receipts and disbursements are properly recorded when reconciling bank account balances with the accounting records or reviewing such reconciliations prepared by the bookkeeper. Monthly bank reconciliations provide a way to identify, correct and document differences between the town's records and bank transactions.

Town boards are responsible for the oversight and management of capital projects. The acquisition, construction or improvement of capital assets can be accounted for in a town's operating fund (e.g., general, highway, water, etc.) if the resources are provided through the operating fund. However, if the acquisition or construction of a capital asset extends beyond one year, it should be accounted for in a capital projects fund. Capital projects funds also are used to account for the financial resources to be used for the acquisition or construction of capital assets and capital improvements financed through traditional sources such as special State and federal grants, the proceeds of bonds or notes, and installment purchase contracts.

Complete and accurate records allow the supervisor to provide monthly reports to the board to facilitate timely and prudent financial decisions. These reports should include a detailed accounting of all money received and disbursed and detailed year-to-date, budget-to-actual comparisons of revenues and expenditures for each fund. Furthermore, New York State General Municipal Law (GML)<sup>1</sup> requires the supervisor to file an annual update document (AUD), which is the annual financial report, with the New York State Office of the State Comptroller (OSC) within 60 days of the end of the town's fiscal year. Town officials have the option to request an extension which, if granted, would extend the deadline to 120 days after the end of the fiscal year.

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<sup>1</sup> GML, Section 30

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## **Accounting Records and Reports Were Not Complete, Accurate or Timely**

The Supervisor neither maintained, nor required the bookkeeper to maintain, complete, accurate and up-to-date accounting records and reports. The bookkeeper recorded all check disbursements made from the major operating funds in a timely manner but did not record revenues or electronic disbursements in the Town's accounting software for fiscal year 2018 until September 2018. In addition, the bookkeeper has not recorded revenues received or electronic disbursements made after September 2018 through the end of our audit period in the Town's accounting software. Although the bookkeeper reconciled the Town's six checking accounts to manual check register balances monthly, he did not document reconciliations of the other eight bank accounts due to their low activity.

The Board also has not received a monthly Supervisor's report since February 2018. Furthermore, the two monthly reports that were presented to the Board during our audit period (January 2018 and February 2018) did not accurately reflect the Town's financial position then. These reports contained book balances for each bank account at the start and end of each month and showed the total increases and decreases in each account for the month. The book balances were accurate. However, the reported total increases and decreases in each bank account, which were presented as fund activity, included intrafund transfers, which overstated overall fund activity. For example, in the February 2018 report, fund activity was overstated by over \$128,000, or 56 percent. Furthermore, the monthly reports did not include year-to-date, budget-to-actual comparisons of revenues and expenditures for each fund.

Town officials were 251 days late in filing the AUD for the fiscal year ending December 31, 2016. Although Town officials requested extended deadlines to file the AUDs for fiscal years ending December 31, 2017 and 2018, these reports remained unfiled and were 420 days late and 55 days late, respectively, as of the end of our fieldwork.

The Supervisor and Board relied on the bookkeeper to perform all of the Supervisor's financial duties and to provide financial information as needed. For example, the Board would request information about bank account balances before major purchases or during budget development. Although the bookkeeper was able to timely provide the Board with reconciled bank account balances when requested, the bank account balances in the water fund did not accurately reflect the fund's financial position because the bookkeeper accounted for the Town's Well Project within the water fund rather than in a separate capital projects fund. For example, the water fund's bank account balances included loans and grant

revenues<sup>2</sup> related to the Well Project, thus inflating the bank account balance compared to actual funds available for water fund operating purposes.

With the incomplete reports presented to the Board, its members were unaware of the actual revenues and expenditures each month. Without budget-to-actual information, the Board was also unable to properly monitor the budget. For example, total fund balance in the water fund declined by 116 percent, from approximately \$10,000 as of December 31, 2016 to approximately negative \$1,600 as of December 31, 2018, after excluding loans/grants obtained and related expenditures for an infrastructure renewal. Further, as of the end of the 2017 fiscal year, we estimated the total fund balance in the water fund to be approximately negative \$6,500. Town officials told us this unplanned decline occurred due to a lightning strike to the facility computer system, leading to a system replacement, and the hiring of a third-party contractor to monitor water quality. After this low point, the total fund balance partially recovered, as noted above, as of December 31, 2018 (Figure 1).

**Figure 1: Water Fund Budget Variances and Estimated Fund Balances**

| Fiscal Year                         | 2017       | 2018      |
|-------------------------------------|------------|-----------|
| <b>Expenditure Variance</b>         |            |           |
| <b>Budgeted Appropriations</b>      | \$36,789   | \$39,575  |
| <b>Actual Expenditures</b>          | \$53,716   | \$34,209  |
| <b>Expenditure (over)/under</b>     | (\$16,927) | \$5,366   |
| <b>Revenue Variance</b>             |            |           |
| <b>Budgeted Revenues</b>            | \$36,789   | \$39,575  |
| <b>Actual Revenues</b>              | \$37,143   | \$39,164  |
| <b>Revenue over/(under)</b>         | \$354      | (\$411)   |
| <b>Surplus/Deficit</b>              |            |           |
| <b>Expenditure (over)/under</b>     | (\$16,927) | \$5,366   |
| <b>Revenue over/(under)</b>         | \$354      | (\$411)   |
| <b>Change in Total Fund Balance</b> | (\$16,573) | \$4,955   |
| <b>Total Fund Balance</b>           |            |           |
| <b>Beginning Total Fund Balance</b> | \$10,047   | (\$6,526) |
| <b>Change in Total Fund Balance</b> | (\$16,573) | \$4,955   |
| <b>Ending Total Fund Balance</b>    | (\$6,526)  | (\$1,571) |

<sup>2</sup> Town officials obtained loans totaling \$95,000 for the Well Project - \$20,000 from an interfund loan and \$75,000 from a local development corporation. The Town also obtained a grant to finance \$75,000 of these loans.

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According to the bookkeeper, the AUDs were not filed in a timely manner because of personal matters. The failure to timely file AUDs could affect Town officials' ability to obtain or maintain financing. With complete, accurate and timely financial information, the Board could make more informed financial decisions. If fund balances continue to decline, the Town may need to reduce services to residents or raise taxes, service charges or other revenues.

### **What Do We Recommend?**

The Supervisor should:

1. Maintain complete, accurate and timely accounting records or cause them to be maintained.
2. Ensure the Board is periodically provided with accurate and timely budget-to-actual and other financial reports.
3. File AUDs, or cause them to be filed, in a timely manner.
4. Account for the acquisition or construction of capital assets and capital improvements that extend beyond one year in a capital projects fund.

The Board should:

5. Ensure it receives monthly and annual financial reports in a timely manner.
6. Use budget-to-actual reports and other financial information to guide decisions.

# Appendix A: Response From Town Officials

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**TOWN OF BOVINA**  
PO Box 6  
Bovina Center, New York 13740  
(607) 832-4302 \* Fax (607) 832-4666

**Supervisor**

Tina B. Molé

**Members of Council**

Evelyn Stewart Barnhart

Marni Greenberg

Thomas Hilson

Mark Rossley

**Highway Superintendent**

Edward Weber

**Town Clerk**

Catherine Hewitt

**Town Justice**

John H. Way, Jr.

**Tax Collector**

Catherine Hewitt

December 11, 2019

NYS Office of the State Comptroller  
44 Hawley Street  
Binghamton, NY 13901

RE: **30 Day Response to Audit**

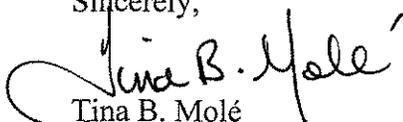
Madams and Sirs:

I first want to apologize for the tardy reply. There was a communication gap between the bookkeeper and myself with regards as to who was responding by the 12/6/19 deadline.

We had the report and reviewed its contents. There is always fault with the Town Supervisor and the Board when it comes to issues with the way things are done in a community. In the Letter it clearly states that the Town Supervisor should be on top of the accounting and financial activity of the community. Since 2008 the bookkeeper had done a good job with record keeping and giving the board information in a timely manner. As the audit team knows there have been issues with the bookkeeper since June of 2017 and he had not been able to maintain the records as in the past. As Supervisor I was constantly asking for monthly reports and updated AUD's and the result was always the same, "I am working on them". I clearly did not push the bookkeeper along to get things resolved.

We are working on a corrective action plan and the issues at hand are being corrected and the future financial activities for the Town of Bovina will be handled as they should.

Sincerely,

  
Tina B. Molé

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board meeting minutes to gain an understanding of the Town's recording and reporting processes and the nature of any errors we identified during audit testing.
- We reviewed all bank accounts for our audit period to determine whether monthly reconciliations were performed.
- We used our professional judgment to select three months (August 2018, December 2018 and February 2019) and:
  - Assessed the completeness, accuracy and timeliness of electronic accounting records for all revenues and disbursements by comparing these records with bank statements, ledgers and Board-approved vouchers.
  - Assessed the accuracy of bank reconciliations.
- We obtained copies of all available Supervisor's financial reports and assessed their completeness and accuracy.
- We assessed the timeliness of AUD filings for fiscal years 2016, 2017 and 2018 as of the end of audit fieldwork on June 25, 2019.
- We calculated fund balances as of December 31, 2016, 2017 and 2018 and analyzed trends in those fund balances. We interviewed Town officials and reviewed accounting records to gain an understanding of those trends.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure,

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*Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

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

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

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

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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

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[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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

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