

# Town of Stanford

## Former Comptroller's Records and Reports

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MAY 2022

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

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# Report Highlights

## Town of Stanford

### Audit Objective

Determine whether the former Town Comptroller (Comptroller) adequately performed the financial recordkeeping and reporting duties required of this position.

### Key Findings

The Comptroller did not adequately perform the financial recordkeeping and reporting duties required of this position. We identified the following inaccuracies:

- 88 checks totaling \$361,088 were inappropriately recorded in the general fund and paid from the general fund bank account of which \$214,871 were highway fund expenditures.
- \$1,441,751 in transfers were recorded in the payroll fund cash account within the financial software during our audit period which was approximately \$138,000 more than what was transferred in the payroll bank account.
- \$48,000 in deposits and \$40,560 in withdrawals in the health reimbursement account were never recorded in the software.

In addition, the Comptroller did not provide the Board with monthly financial reports.

### Key Recommendations

- Ensure accounting records are maintained in a complete and accurate manner.
- Ensure the Board receives the detailed monthly reports necessary to monitor and manage financial operations.

Town officials agreed with our findings and have initiated corrective action.

### Background

The Town of Stanford (Town), located in Dutchess County, is governed by an elected Town Board (Board) composed of four Board members and a Town Supervisor (Supervisor).

The Board is responsible for the general management and control of financial operations.

The Supervisor serves as the chief executive officer, chief fiscal officer and budget officer and is responsible for day-to-day operations.

The Comptroller served as the accounting officer until leaving in June 2019. The Town has eliminated the position, leaving the Supervisor once again responsible for these duties.

#### Quick Facts

##### 2019 Budgets

General Fund	\$1,310,324
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Highway Fund	\$1,186,831
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Population	3,800
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### Audit Period

January 1, 2018 – June 30, 2019

# Former Comptroller's Records and Reports

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In December 2019 our office was contacted by Town officials with concerns related to the Comptroller. Due to the nature of the concerns, we undertook an audit related to the Comptroller and focused on the financial recordkeeping and reporting activities of this position. The Comptroller worked in this capacity for the Town from August 2014 until June of 2019. When the Comptroller left, the Town eliminated the position of Comptroller.

## What Were the Comptroller's Recordkeeping and Reporting Duties?

The Comptroller was responsible for maintaining accurate financial records as well as summarizing the financial activities within the Town's financial software. Such financial recording activities included recording revenues remitted to the Comptroller from the Tax Collector, Town Clerk, Town Justices and personnel from the Building Department and transfer station. The duties also included responsibility for entering invoices, generating checks, recording journal entries for payroll paid by the third-party vendor, transferring money between Town bank accounts and properly recording those transfers. The Comptroller was also responsible for transferring the appropriate amount from each fund's bank account to the payroll bank account and recording those transfers in the financial software.

Complete and accurate records would allow the Comptroller 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 in the current period and year-to-date along with budget-to-actual comparisons of revenues and expenditures for each fund.

## Adequate Financial Records Were Not Maintained

The Comptroller did not maintain adequate records. To determine if the Comptroller's records were adequate, we compared the information in the Town's financial software to the bank statements, verifying that all money deposited or disbursed was accounted for in the software and the payee per the check matched the payee documented in the software. For disbursements, we reviewed voucher packets to determine if the expenditures were for legitimate Town expenditures and appropriately recorded in the system. We obtained documentation from Town departments that collect revenues and verified that all revenues remitted to the Comptroller had been deposited and recorded. We also compared payroll records from the third-party vendor to the Town's financial software to determine if payroll was accurately recorded. We also verified that the appropriate amounts were transferred from each fund for the payroll payments and that those transfers were accurately recorded.

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The  
Comptroller  
did not  
maintain  
adequate  
records.

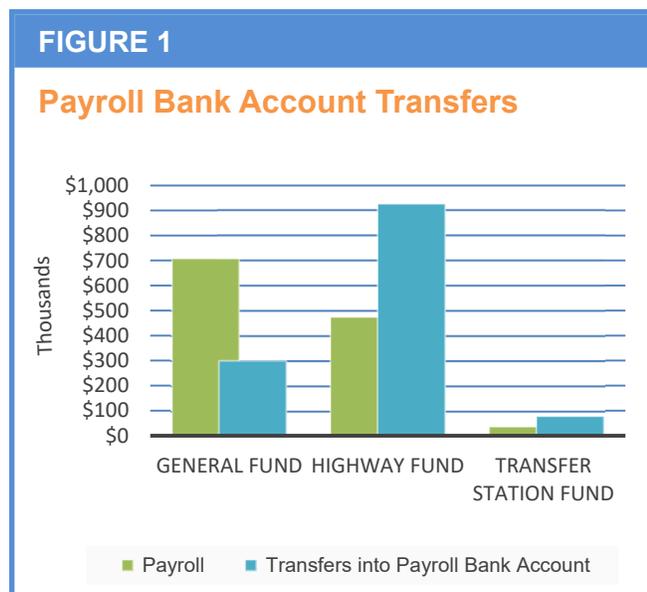
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We found that the monthly revenues remitted to the Comptroller from the Town Clerk, Building Department, transfer station and Town Justices were all deposited. However, we identified some deposits that were inaccurately recorded. Our review of non-payroll expenditures found, except for minor exceptions, they all appeared to be for legitimate Town purposes and adequately recorded. We identified significant inaccuracies in the recording and funding of payroll and related benefits.

**Health Benefits** – Health benefits for highway employees were paid from the general fund. During our comparison of the records to the bank statements for each fund, we found that 88 checks for health benefit expenditures totaling \$361,088 cleared the general fund bank account. Of the total amount, \$146,217 in expenditures were recorded in the Town’s financial software in the general fund with the remaining \$214,871 recorded in the highway fund even though the money used was from the general fund bank account. Further, not all transactions were recorded in the financial software for the health reimbursement bank account. Specifically, \$48,000 in deposits and \$40,560 in withdrawals related to health reimbursement benefits were not recorded in the financial software.

**Payroll** – Payroll transactions were not accurately recorded in the Town’s records. We compared the detailed earnings reports from the third-party payroll vendor and found a total variance of \$58,437 between the vendor’s reports and what was recorded in the financial software in the general and highway funds. We calculated the amount of payroll expenditures by fund (i.e., general, highway and transfer station) and compared those amounts to the transfers documented in the bank statements. Although there were 39 pay periods during the audit period, we found just seven individual payroll transfers and one deposit made to fund the payroll expenditures from the appropriate funds. However, the deposit amount did not correlate to the amount necessary for payroll (Figure 1).

The amounts recorded in the payroll fund cash account within the financial software during our audit period totaled \$1,441,751. However, the actual amounts deposited in the payroll fund per the bank



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statements totaled \$1,303,763, which was approximately \$138,000 less than what was recorded in the Town's financial software. Our review also identified duplicate transfer entries of \$437,988 made to the payroll fund cash account within the financial software. The transfers recorded in the financial software were to record the actual transfer of money from the general fund bank account to the payroll fund bank account. While two transfers were recorded, only one actual transfer of \$437,988 was made between the bank accounts. In addition, another transfer on the payroll account bank statement for \$300,000 from the general fund bank account was not recorded in the financial software.

Real Property Tax Remittance – As part of our review we obtained and reviewed supporting documentation which showed the amount of property tax money collected by the Tax Collector and provided to the Comptroller for deposit for the 2018 and 2019 collection periods.

All money remitted to the Comptroller for the 2019 tax levy was deposited into the bank account. However, the Comptroller did not accurately record the February 8, 2019, real property tax check for \$1 million from the Tax Collector in the financial software. Of the \$1 million received, only \$968,000 was recorded in the financial software, while failing to record the remaining \$32,000. A review of the bank statements showed the \$32,000 was deposited into the health reimbursement bank account instead of the highway bank account where it belonged.

In addition, in 2019 only \$9,000 was recorded in the financial software for the Bangall Lighting District even though the District's approved tax levy was \$9,500. Further, only \$9,000 was deposited in the Bangall Lighting District bank account. The additional \$500 was never transferred to the bank account, nor was it recorded in the financial software.

As a result of the multiple recording discrepancies, the Town was unable to timely file the 2018 annual update document (AUD). Although the Town was granted an extension to file until April 2019, the AUD was not filed until July 2019, which was approximately five months after the original deadline. Further, without complete and accurate records the Board does not have the information needed to make prudent financial decisions.

### **Financial Reports Were Not Provided to the Board**

Board members have the important task of keeping local government operations running effectively. In order to effectively manage operations, board members need to compare actual results of operations to plans, policies and directives. Periodic financial and operational reports can be designed to fulfill several management information needs.

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...[T]he  
Comptroller  
did not  
accurately  
record the  
February 8,  
2019, real  
property tax  
check for \$1  
million. ...

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The Comptroller was responsible for preparing periodic financial reports based on the records maintained. To determine if the Board was receiving reports from the Comptroller, we interviewed Board members who were on the Board during our audit period and the Town Clerk. One Board member stated they did not start receiving monthly reports until the new administration took over in 2020 and the Town Clerk verified that the Comptroller did not provide monthly reports to Board members either before or during the meetings. In addition, we reviewed Board minutes before 2020 and found no mention of any financial reports being provided to the Board or discussion of any financial reports.

Without periodic reports, it is difficult for the Board to have a clear picture of the Town's financial position or to have sufficient information to make prudent financial decisions.

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

The Board should ensure:

1. Accounting records are maintained in a complete and accurate manner.
2. It receives the detailed monthly reports to assist with monitoring and managing financial operations.

# Appendix A: Response From Town Officials

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## TOWN OF STANFORD

*Office of the Supervisor*

ROUTE 82

STANFORDVILLE, NEW YORK 12581

May 11, 2022

Office of the State Comptroller  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553

The Town Board of the Town of Stanford including the Town Supervisor have reviewed the Draft Audit document 2022M-33 entitled *Former Comptroller's Records and Reports* and we are in complete agreement with its findings.

I became Supervisor of the Town of Stanford in January of 2020. Prior to my election, an email from Stanford's outside Auditor dated June 18, 2019, stated to then Supervisor that the A.U.D. report was late "due to the disaster that the financial records were in". This is the state of financial upheaval and inaccurate financial records that I began my first term in.

I would like to address the Corrective Action Plan that was put in place beginning in February 2020.

**1 – Accounting records are maintained in a complete and accurate manner.** We hired a consultant in February 2022 to work with us so that our accounting records follow best practices and are maintained in a complete and accurate manner. I would say these practices have now been in place for two years.

**2 – Detailed monthly reports to assist with monitoring and managing financial operations are distributed to the Town Board.** The Supervisor's Report and Bank Reconciliations are completed at the beginning of each month and sent to all Town Board members. Payroll verification spreadsheets are sent to all Town Board members after each payroll is submitted. Budget modifications are done monthly, which rectify any budgetary appropriation line items that need to be amended. A written forecast is done monthly by the Town Supervisor to report on the condition of our Revenues as well as our Appropriations.

The final point I feel imperative to make is that in order to correct the enormous inaccuracies in our financial software, which involved among other tasks: going through every voucher from 2019 for coding errors, unraveling the details of the payroll account as deposits were not made from the appropriate Funds [the payroll account had not been reconciled in c. 18 months], correcting all payroll errors as well as multiple mistakes in the Deferred Compensation and New York State Retirement accounts, correcting journal entries, etc., The Town of Stanford hired an outside consultant who has worked for 30 years as a municipal bookkeeper, to help both the Supervisor and Bookkeeper correct these and other items. We have spent \$22,000.00 to date to bring our data into compliance.

Sincerely,

Wendy Burton  
Supervisor, Town of Stanford

## 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, reviewed policies and procedures and financial records and reports to gain an understanding of the controls over the financial recording and reporting process.
- We reviewed Board minutes for the audit period for relevant information pertaining to the Town's finances.
- We reviewed detailed general ledgers for all cash account records and tested all transactions by tracing from Town bank accounts to Town records to assess their completeness and accuracy.
- We compared Town payroll records to detailed earning reports from the third-party vendor to determine accuracy of the records within the financial software.
- We reviewed all payroll transfers recorded in the financial software and compared the recorded transfers to bank statement transactions as well as the detailed earnings report segregated by fund (i.e., general, highway, etc.) to determine if all transfers were properly recorded and accurate. The payroll bank account opened in February 2018 so when comparing the detailed earning reports to the bank statements we were only able compare 36 pay periods instead of the total 39.
- We reviewed 100 percent of disbursements to determine they were approved by Town officials, were for proper Town purposes and included all necessary documentation.
- We reviewed 100 percent of cash receipts remitted to the Comptroller from the Town Clerk, Building Department, Recreation, transfer station and Town Justices to determine if all receipts were accurately recorded and deposited.

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.

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A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

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

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf)

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

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

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**NEWBURGH REGIONAL OFFICE** – Dara Disko-McCagg, 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.ny.gov](mailto:Muni-Newburgh@osc.ny.gov)

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