

Unit Name: Town of New Hartford, New York

Audit Report Title: Town of New Hartford Financial Condition and Receiver of Taxes

Audit Report Number: 2010M-222

### **FINANCIAL CONDITION**

**Recommendation 1.** – The Board should determine what portion of the general town-wide fund balance related to police operations and account for it in the newly-created police fund.

#### **Response**

The determination of the Police Fund Balance, as of the date of this report, is nearly completed. The correct fund balance will appear on the 2010 Annual Report submitted to the State Comptroller's Office.

**Recommendation 2.** – The Supervisor should ensure that he or his appointed bookkeeper maintain separate accounting records for the police fund.

#### **Response**

As of January 1, 2010 the Police Fund has been maintained in a separate accounting fund. All transactions pertaining to the fund are distinct and separate from any other fund and maintained in the same fashion. This fund has been separated in the budgetary process, having its own budget section, and is accounted for in its own fund through the accounting process having its own chart of accounts starting with the designation of 'BP'. This designation denotes the 'B', meaning General Part-Town, and 'P' for police.

**Recommendation 3.** – The Board should develop a comprehensive plan for addressing the deficit fund balance and cash position in the Police Fund.

**Response**

Upon the determination of the exact fund balance amount for the Police Fund a formal plan will be proposed to the Town Board for its consideration. At this time the proposed plan would most likely be centered around the reallocation of Sales Tax dollars to reduce any possible deficit that may exist. This would encompass the following possibilities;

1. The sales tax revenue for 2010 should come in higher than budgeted which would allow for discretion as to where the overage may be applied. This would give us the option of possibly using this surplus to reduce any possible deficit fund balance in the Police account.
2. Additionally, once we have an exact figure on the deficit, surplus amounts, which are likely, will be directed toward the replenishment of the fund balance. There are several areas in which surpluses may arise in the coming budget.
3. It is anticipated that any reasonable deficit in the Police Fund would be resolved by the end of the 2011 fiscal year.

**Recommendation 4.** – The Board should strive to adopt structurally balanced budgets in all Town funds and refrain from appropriating fund balance in excess of amounts reasonably expected to be available.

**Response**

The budget for 2011 demonstrates that this policy has already been implemented. Currently, since January 1, 2010, budgeted amounts have been reviewed on a regular basis to ensure that overspending does not occur. This coupled with a sound and balanced budget for 2011 will return the fund balances to a level that will allow for a comfortable and safe reserve.

**Recommendation 5.** – The Board should adopt more accurate revenue and expenditure estimates.

**Response**

With the 2011 budget a more thorough procedure has been implemented to review revenue and expenditures. All departments are questioned on proposed expenditures and reductions in many areas have been implemented. Regarding revenues there are two major sources within the Town, Property Taxes and Sales Taxes. Property taxes are determinable to an exact figure as the Town Board sets the tax rate. Sales Tax revenues for the 2011 Budget have been reviewed and projected looking not only at historical receipts, but also in view of the economy, both nationally and locally. The current projection for 2011 is considered to be conservative based upon the factors cited above. However, close review of the sales tax revenues will be continued to ensure that the budgeted amounts are received. If it is determined that these funds will fall short adjustments will be made during the year in order to keep within the total Town budget.

**Recommendation 6.** – The Board should monitor operations throughout the year, and ensure that uncommitted appropriations are available before funds are encumbered or expended. The Supervisor should not permit any fund or appropriation account to be overdrawn at any time.

**Response**

This recommendation has already been implemented. As of the beginning of the year, 2010, all appropriation accounts are reviewed by the Supervisor on a weekly, if not daily basis. On several occasions during 2010 department heads were advised to curb their spending and this has resulted in budgets coming in on target or below. Additionally, beginning in 2010, the Town Board has been given monthly reports showing budgeted to actual figures.

**Recommendation 7.** – The Board should develop a plan to reduce the unreserved, unappropriated fund balance in the consolidated sewer district, general part-town, and highway town-wide funds. Surplus fund balance identified in this report should be used in a manner that benefits the taxpayers such as increasing necessary reserves, financing one-time expenses or reducing property taxes or sales tax allocations.

**Response**

Implementation of this recommendation has already been considered and has been in the process of being formulated. During the year 2010 all fund balances have been reviewed with consideration of how to correct the deficits existing in the general whole-town and/or police fund. This was mentioned in our response to recommendation 3, with regards to the Police Fund. Some of the current fund levels exist for specific reasons but have not had reserve accounts established for the purpose. For instance the consolidated sewer fund has been allowed to remain at a level that will afford the Town flexibility in dealing with the large sewer project it is now faced with. During the last year the County has come under a consent order from the NYS Department of Environmental Conservation, which has ordered the County to repair a large portion of its sewer system by the year 2014. The project encompasses nine communities within the County, the Town being one of them. The cost of this project is being charged to the municipalities through a unit fee based on water usage. The fee is reduced by structural improvements made by each community. Over the past year the Town has completed several projected within the Town dealing with storm water inflow. The final determination of the Town's share in the part-county project has not been made, however, an estimate of \$25,000,000 was given out last year. The sewer fund balance has, and will continue to, help assist in completing projects which will benefit the Town and help to reduce it's share of this very large project. At such time that a final number is determined by the County, a reserve proposal will be addressed by the Town Board.

Similarly, accumulated funds within the town-wide highway are projected to be used for a proposed bridge construction within the Town. Engineering fees incurred on this

project have already been charged against the fund. Estimates are now being received for the actual construction of the bridge and at the point a final decision is made, and exact numbers are known, a reserve will be established and will reduce the balance that now exists.

With regards to the general part-town fund balance it is projected that this balance will not be large at the end of 2010 due to allocations made to the sale tax revenues for the 2010 budget. However, upon final determination of the 2010 accounts this will be looked in conjunction with the response to recommendation 3.

### **RECEIVER OF TAXES**

**Recommendation 8.** - The Board should adopt policies and develop procedures that detail the collection activities the Receiver is required to follow. These policies and procedures should include, but not be limited to, requiring the Receiver to:

- Collect, record and deposit taxes, fees and penalties, as required by law
- Remit collections to the Supervisor, County and school districts within the stipulated timeframes
- Date-stamp and accurately record all receipts
- Maintain a daily cashbook of all cash receipts and disbursements

### **Response**

All of the above recommendations have been implemented. These recommendations were made as the audit was being performed. Starting with the Town and County collection in the beginning of 2010 these procedures were being implemented. The computer program used for the Receiver has the capability to provide all accurate and detailed accounting records as required. As of the school tax collection in September of 2010, all procedures were in place and computerized records were being utilized.

Prior to the date of this response all penalties and fees have been remitted to the Supervisor's Office. The current policy now in place is that a cash on hand bank, in the amount of \$200.00, is provided to the Receiver in order to make change if required. At the end of the collection all fees, penalties and other funds due the Town are remitted along with a check in the amount of \$200.00 returning the cash on hand bank. This procedure will bring the Receiver's bank account balance to zero at the end of each collection period.

At the start of the 2011 year the Town has changed banks. With this change new banking procedures have been put in place. A new system of depositing funds has been instituted whereby, all funds are deposited on a daily basis. This new policy ensures deposits are made and recorded daily. Deposits are then entered into the computer system, which

details each payment made as to taxes, fines, penalties etc. All deposits and disbursements are entered into a check journal, which is reconciled monthly.

**Recommendation 9.** – The Receiver should record all funds collected, including returned checks fees; reconcile bank account monthly; collect, record and remit late fees penalties for all late tax payments, including her own; deposit all collections intact and within twenty four hours of receipt; and remit collections to the Town, County and school districts in a timely manner.

**Response**

As of July of 2010 all Town Officials remit a copy of their reconciled bank accounts to the Supervisor's Office. Having the bank accounts accurately reconciled mandates that all banking transactions are recorded. The additional procedure, as noted above in response to recommendation 8, of having a cash on hand bank and zeroing out the bank account at the end of each collection will ensure timely delivery of funds to the taxing agencies.

**Recommendation 10.** – The Receiver should remit any remaining unpaid penalties, interest and unidentified balances to the Town Supervisor.

**Response**

As noted above in response to recommendation 8 and 9, the new procedure of having a cash on hand account and zeroing out the bank account at the end of each collection will provide for remediation of this item.

**Recommendation 11.** – The Board should require that the Receiver submit monthly reports of all monies collected and remitted.

**Response**

A policy has been instituted whereby all officials submit reports along with the monthly bank reconciliations. A three-person committee comprised of the Town Supervisor, Deputy Supervisor and one other member of the Town Board will review these reports. All three individuals have extensive background in accounting, banking and finance.

**Recommendation 12.** – The Board should provide adequate management oversight of the Receiver's performance.

**Response**

As noted above in response to recommendation 11 a three-person committee has been initiated to review the records of all Town Officials. In addition to this a new position

has been created in the 2011 budget, which is that of Director of Finance. Some of the responsibilities of this position will be to assist various Town Officials with recordkeeping and bookkeeping functions. The implementation of this position will assist in maintaining all accounting controls and reviewing them to ensure they are adequate and working.