

Dave Shenk

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From: LGSA-Audits@osc.state.ny.us
Sent: Friday, April 22, 2011 8:30 AM
To: townclerkshenk@townofboston.com
Subject: OSC Audit Report
Attachments: Boston_T.pdf; GML_clerk.pdf; GML_clerk.pdf

Report No. 2010M-170

Dear Mr. Shenk:

Enclosed is a Report of Examination for the Town of Boston prepared by the Office of the State Comptroller. Also enclosed for your convenience is a copy of Section 35 of the General Municipal Law, which explains your filing and notification responsibilities, together with a sample publication notice and certification.

The examination was made, and report prepared, in accordance with Article 5, Section 1 of the State Constitution, and the authority granted to the State Comptroller by Article 3 of the General Municipal Law.

I trust that this report will be helpful to you. If you require assistance, or if you have any questions, please feel free to contact the local regional office for your county listed at the back of the enclosed report.

Very truly yours,

Steven J. Hancox
Deputy Comptroller
Division of Local Government
and School Accountability

Enclosures

(See attached file: Boston_T.pdf)(See attached file: GML_clerk.pdf)

(See attached file: GML_clerk.pdf)



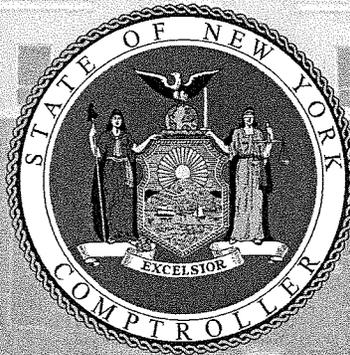
Town of Boston Financial Operations

Report of Examination

Period Covered:

January 1, 2007 — July 1, 2010

2010M-170



2011 APR 25 PM 3: 21

BOSTON TOWN CLERK

RECEIVED

Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2011

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 Board 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 Boston, entitled Financial 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 Boston (Town) is located in Erie County with a population of almost 8,000 residents. The Town's 2010 budgeted appropriations for all funds total approximately \$4.8 million. The Town provides various services to its residents including general governmental support, street maintenance and improvements, snow removal, water service and refuse collection. Town operations are financed primarily by real property taxes, sales tax, user charges, and State aid.

An elected five-member Town Board (Board) is the legislative body responsible for overseeing the Town's operations and finances. The Board consists of the Town Supervisor (Supervisor) and four Council members. The Board is responsible for the overall financial management of the Town, including establishing appropriate internal controls and safeguarding assets. The Highway Superintendent is elected to oversee highway operations, which includes road maintenance and snow removal, among other duties.

Scope and Objective

The objective of our audit was to review selected financial operations of the Town for the period January 1, 2007 through July 1, 2010.¹ Our audit addressed the following related questions:

- Are internal controls over the procurement of goods and services designed appropriately and operating effectively?
- Does the Board properly manage Town finances by ensuring that budgets are reasonable and supported?

Audit Results

The Highway Superintendent did not always make purchases in compliance with the Town's procurement policy. Furthermore, because there is no documentation in the maintenance records to evidence that certain purchased items were installed on Town equipment, there is a significant risk that the Town paid for parts that were never received.

We reviewed two purchases totaling nearly \$165,000 and found that Town officials did not always make decisions that were cost effective. We found that the Board did not always properly manage and monitor expenditures. Furthermore, in certain instances, it is questionable whether Town officials acted in the best interest of the taxpayers.

¹ For illustrative purposes, we extended our scope to 2003 for purchases and to 2004 for financial condition analysis.

The Board did not adopt budgets with realistic estimates for revenues and expenditures which has caused the Town to levy more real property taxes than needed and to accumulate excess fund balance. If the Board adopts a plan to reduce the excessive amount of fund balance, it can provide significant tax relief to its residents.

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 generally agreed with the recommendations and indicated they have taken corrective action.

Introduction

Background

The Town of Boston (Town) is located in Erie County with a population of almost 8,000 residents. The Town's 2010 budgeted appropriations for all funds were approximately \$4.8 million. The Town provides various services to its residents including general governmental support, street maintenance and improvements, snow removal, water service and refuse collection. Town operations are financed primarily by real property taxes, sales tax, user charges, and State aid.

An elected five-member Town Board (Board) is the legislative body responsible for overseeing the Town's operations and finances. The Board consists of the Town Supervisor (Supervisor) and four Council members. The Board is responsible for the overall financial management of the Town, including establishing appropriate internal controls and safeguarding assets. The Highway Superintendent is elected to oversee highway operations, which includes road maintenance and snow removal, among other duties.

The Board is responsible for adopting a procurement policy, and then reviewing and, if necessary, revising the policy each year. A procurement policy is designed to provide guidance to those who are responsible for making Town purchases. All Town officials and employees are expected to make purchases in compliance with the procurement policy.

The Town's financial condition is an indication of its ability to continue to provide public services to its residents. The responsibility for effective financial planning and management of the Town rests with the Board and the budget officer. One of the primary responsibilities of the Board and the budget officer is to ensure that budgets are prepared, adopted, and amended based upon reasonably accurate estimates of expenditures and the means by which they will be funded.

Objective

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

- Are internal controls over the procurement of goods and services designed appropriately and operating effectively?
- Did the Board properly manage Town finances by ensuring that budgets were reasonable and supported?

**Scope and
Methodology**

We examined the Town's procurement process and financial condition for the period January 1, 2007 through July 1, 2010. For illustrative purposes, we extended our scope to 2003 for certain purchases and to 2004 for financial condition analysis.

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 generally agreed with the recommendations and indicated they have taken 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 Town Board to make this plan available for public review in the Town Clerk's office.

Procurement

A good system of internal controls over procurement consists of policies and procedures that allow an organization to provide reasonable assurance that it is using its resources effectively and complying with applicable laws and regulations. The Board is responsible for designing internal controls that help safeguard the Town's assets and ensure the prudent and economical use of taxpayer money when procuring goods and services. The objectives of a procurement process are to obtain services or materials, supplies, and equipment of the desired quality, in the quantity needed, and at the lowest price, in compliance with applicable Board and legal requirements. This helps ensure that taxpayer dollars are expended in the most effective manner.

General Municipal Law (GML) required the Board to solicit bids for purchases and public work contracts that exceed competitive bidding thresholds of \$10,000 and \$20,000, respectively, and to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements.² It is important for these policies and procedures to indicate when officials need to use competition such as requests for proposals (RFPs) and quotes, identify the procedures for determining which method will be used, and require that adequate documentation be maintained. The adoption and annual review of the purchasing policy ensures that local governments procure goods and services of desired quality at the lowest possible cost under the given circumstances.

We determined that the Highway Superintendent did not comply with the Town's purchasing policy. We also found that the Board did not always properly manage and monitor expenditures. In certain instances the Town's purchases were not made in the best interest of the taxpayers or in the most cost effective manner.

Highway Department Purchases

The Highway Superintendent did not always make purchases in compliance with the Town's procurement policy. In fact, by splitting purchases, he circumvented the policies and procedures that the Board established. We found this to be of particular concern with purchases of plow blades and plow shoes. Due to the volume of purchases and lack of adequate recordkeeping there is a significant risk that the Town paid for goods it did not receive. In our opinion, this pattern of purchasing also raises concerns because, in 2008, the

² For any contract let or awarded on or after June 22, 2010 the threshold for purchase contracts is increased to \$20,000 and for public works contracts to \$35,000.

owner of one of the companies that the Town purchased from pleaded guilty in U.S. District Court to felony charges of theft of government money. The owner participated in a fraudulent scheme with a former Highway Superintendent of another town in Erie County to supply fictitious invoices for goods that were never delivered. Once paid, the owner and former Highway Superintendent from the other town split the proceeds. From 2003 through 2008, the Town of Boston made payments totaling approximately \$30,000 to this vendor.

We reviewed the purchases made by the Highway Department in 2007 in detail. During 2007, the Highway Superintendent ordered parts (plow blades, plow shoes, and wing blades) billed on 29 invoices, all of which were just less than \$300 each. The majority of the invoices were dated just days apart. For example, from December 17 through December 31, there were 12 separate invoices totaling \$3,280 from this vendor. In a letter to the Board, the vendor indicated that the Highway Superintendent and his predecessor told him that they could only spend \$300 per day. Therefore, the vendor would keep each bill under \$300. He also indicated that the Highway Superintendent would call each day to order parts.

We found that the Highway Superintendent purchased 22 plow or wing blades during 2007 from two vendors. However, a review of the maintenance records from January 2007 through February 2008 showed that only 12 blades were replaced on the vehicles. We also found that the Town purchased 67 plow shoes during 2007 from two vendors but maintenance records did not indicate that any plow shoes were replaced. The Highway Superintendent and highway employees confirmed that the shoes are generally replaced each time a blade is replaced.³ Therefore, by calculation, the vehicles would have only needed 39 plow shoes.⁴ However, during 2007, the Town paid for 67 shoes, or 28 more than appear to have been needed. We spoke with Erie County's Senior Highway Engineer (Highway Engineer) regarding the replacement of winter plow blades and shoes. He indicated that depending on the severity of the season, blades and shoes are typically replaced one to three times per year. He also indicated that generally plow shoes are only replaced when the blades are replaced. The level of use suggested by the Highway Engineer is consistent with the use recorded in the Town's maintenance records.

³ Depending on the vehicle, generally three shoes are needed for each wing blade and three shoes for the main plow. After the exit discussion, the Highway Superintendent showed us one vehicle that had four shoes. To be conservative in our estimates, we considered this in our analysis. The Highway Superintendent and highway employees confirmed that plow shoes are rarely, if ever, replaced without having the blade replaced.

⁴ If three shoes were replaced each time, one of the 12 blades was replaced.

From January 2008 through February 2010, the Town continued to purchase plow blades and shoes in a similar manner. We found that they purchased 37 plow blades and 43 plow shoes from three different vendors totaling approximately \$11,000. We reviewed the invoices and found instances where the Highway Superintendent continued to split his purchases. His orders were billed on 32 different invoices, all of which were just less than \$300 each, the threshold amount subject to the procedures set forth in the Board-adopted purchasing policy.

The maintenance records show that the blades and shoes that were used in 2007 were significantly less than the number purchased. The Highway Superintendent indicated that the discrepancy was the result of his department's poor and incomplete maintenance records. However, we performed the same test for several other items and found that generally the records reflected the items purchased and installed.

Monitoring

The Board should make purchasing decisions that are cost effective and in the best interest of the Town and taxpayers. The Board, or its designee, also has a responsibility to monitor the performance of contractors hired to provide goods and services. We reviewed two purchases totaling nearly \$165,000 and found that Town officials did not always fulfill their responsibilities as follows:

Water District Extension — We reviewed the engineering services provided for a water district extension and determined that the Town did not properly monitor the engineer. According to the written agreement, the engineer was to be compensated \$97,500 for the design and permitting phase of the project. However, the payments to this engineer for this project totaled nearly \$150,000.⁵ Because no other agreements were on file, it is unclear how the Board determined if the additional costs were in compliance with its expectations of services to be provided by the engineer. In addition, without the agreements on file, future Town officials would not be aware of the work performed and may incur unnecessary costs by duplicating the work.

While reviewing the agreement, we found that the engineer completed and billed for the design (task 3) and permitting (task 4) prior to billing for the engineer's report (task 2). The invoice for task 2 was dated November 30, 2009. The agreement did not identify a cost for task 2. We reviewed a memo from the engineer dated November 17, 2009 which references its engineering report; however, the Town did not have this report on file either. When Town officials requested the information from the engineer, the engineer admitted to officials that a copy of the report was never given to the Town.

⁵From 2006 to 2009

Invoices for this project indicated that some of the expenditures were for system design, which included boring tests and topographical maps. However, the Supervisor told us that the Erie County Water Authority (ECWA)⁶ indicated that the current system could not accommodate the proposed design requirements. Therefore, he questioned whether these design services were necessary prior to soliciting approval from the ECWA. The Supervisor also provided us with another engineering report, dated 1998, discussing the limitations of the water district. We contacted the ECWA, and a representative confirmed that generally the engineer should address pressure and capacity issues before water district lines are designed. The representative also indicated that the ECWA brought this to the engineer's attention when the designs were submitted for approval.

Consequently, it is unclear if the engineer actually performed all of the contractual requirements and if all of the payments to the engineer were appropriate.

Drainage Improvements — The Town paid an engineer and two contractors over \$15,000 in 2009 and 2010 to rectify drainage problems that were apparently caused by a Town resident. During 2006 a Town resident dumped several truckloads of material into a Town-maintained drainage ditch on private property. Whenever significant rainfall or major snowmelt occurred, this resulted in drainage problems and damage along the ditch. The Town's code enforcement officer's files indicated that this resident was charged with two code violations during 2008 as a result of his actions. In addition to a cease and desist order by the Town Court, the resident signed a 60-day easement and consent giving the Town permission to enter his private property for the purpose of correcting the damage done to the drainage ditch. However, the Town never subsequently billed the property owner for the work.

Recommendations

1. The Highway Superintendent should comply with all provisions of the Town's procurement policy. The Board should periodically evaluate whether the dollar thresholds for purchases not subject to competitive bidding are at appropriate levels and closely monitor purchases for compliance with the policy.
2. The Highway Superintendent should maintain complete, accurate and up-to-date inventory and maintenance records.

⁶ The ECWA supplies the water to the Town's water districts and is involved in ensuring that the system is adequate to maintain existing service, while extending service to other areas.

3. The Board should properly monitor professional service providers and ensure that the appropriate amounts are paid in accordance with contractual provisions.
4. The Board should consult with the Town Attorney to determine whether the Town could recover the \$15,000 paid for drainage improvements made on private property.

Financial Condition

The Board is responsible for making sound financial decisions that are in the best interest of the Town and the taxpayers that fund its operations. This responsibility requires Board members to balance the level of services desired and expected by Town residents with the ability and willingness of the residents to pay for such services. The Board must adopt structurally balanced budgets for all operating funds that provide for sufficient revenues to finance recurring expenditures. The Town may retain a reasonable portion of fund balance, referred to as unreserved, unappropriated fund balance, to use as a financial cushion in the event of unforeseen financial circumstances and can legally set aside and reserve portions of fund balance to finance future costs for a variety of specified objects or purposes. It is also important that long-term plans be in place to ensure that moneys accumulated in operating funds are used for appropriate and authorized purposes. Therefore, it is important that the Board maintain only a reasonable amount of fund balance and adopt budgets that include realistic estimates of revenues and expenditures and use surplus fund balance as a funding source, when appropriate. If these practices are followed, only the necessary amount of real property taxes will be raised.

The Board has not adopted a policy and Town officials have not developed procedures to govern the level of unreserved, unappropriated fund balance to be maintained and/or to determine whether the amount maintained is reasonable. We found that from 2005 to 2009, the unreserved, unappropriated fund balance in the general fund has exceeded \$1 million. At December 31, 2009, the unreserved, unappropriated fund balance in the general fund was reported as \$1,278,775 or 77 percent of the ensuing year's appropriations.

We found that these excess fund balances were generated because the Board did not adopt accurate budgets for the past five years. As a result the Town had operating surpluses for two of the five years. In addition, for the five annual budgets we reviewed, the Board appropriated an average of \$474,000 in fund balance. Therefore, the Board was essentially anticipating operating deficits in those amounts, which would be financed with fund balance surplus. However, for the three fiscal years when operating deficits were reported, the amount of those deficits were consistently about \$400,000 less than the Board had planned. As a result, fund balance did not decrease as the budget would have suggested to the Town's taxpayers.

Table 1: Operating Surplus (Deficit) and Fund Balance						
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total
Revenues	\$1,316,282	\$1,459,706	\$1,595,169	\$1,514,940	\$1,703,172	\$7,589,269
Expenditures	\$1,358,286	\$1,333,008	\$1,405,617	\$1,598,904	\$1,796,927	\$7,492,742
Operating Results	(\$42,004)	\$126,698	\$189,552	(\$83,964)	(\$93,755)	\$96,527
Appropriated Fund Balance	\$486,500	\$483,500	\$450,000	\$480,000	\$470,000	
Unreserved, Unappropriated Fund Balance	\$1,253,168	\$1,375,584	\$1,162,665	\$1,056,337	\$1,278,775	

The Board-adopted budgets included projections which were consistently inaccurate. A comparison of actual revenues with what was budgeted over the past five years demonstrates that the Board underestimated revenues by more than \$2 million and overestimated expenditures by approximately \$450,000.

Table 2: Budget Variance – Fiscal Years 2005 through 2009						
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total
Estimated Revenues ^a	\$1,001,403	\$1,045,442	\$1,161,888	\$1,178,650	\$1,190,150	\$5,577,533
Actual Revenues	\$1,316,282	\$1,459,706	\$1,595,169	\$1,514,940	\$1,703,172	\$7,589,269
Difference	\$314,879	\$414,264	\$433,281	\$336,290	\$513,022	\$2,011,736
Percentage	31%	40%	37%	29%	43%	
Appropriations	\$1,487,903	\$1,528,942	\$1,611,888	\$1,658,650	\$1,660,150	\$7,947,533
Actual Expenditures	\$1,358,286	\$1,333,008	\$1,405,617	\$1,598,904	\$1,796,927	\$7,492,742
Difference	\$129,617	\$195,934	\$206,271	\$59,746	(\$136,777)	\$454,791
Percentage	9%	13%	13%	4%	(8%)	
Total Positive Budget Variance	\$444,496	\$610,198	\$639,552	\$396,036	\$376,245	\$2,466,527

^a Does not include appropriated fund balance which is a financing source but not a revenue

On average, the Town consistently underestimated revenues by over \$400,000 and overestimated expenditures by more than \$90,000 per year which ultimately resulted in operating surpluses and no need to use most of the fund balance that was appropriated. Had the Board reviewed historical financial data, it could have easily avoided such significant variations. For example, for the past three years the Town has received over \$700,000 per year in sales tax revenues. However, the Board only budgeted between \$500,000 and \$550,000 for this revenue during each of these years. A review of the 2010 budget shows that the Board continues to underestimate revenues, as sales tax is only budgeted for \$500,000.

An important aspect of budget preparation includes a reasonable estimate of fund balance at the end of the fiscal year. Information

concerning the amount of reserved and unreserved fund balance available for appropriation has an impact on the amount of the tax levy needed to fund the subsequent fiscal year's budget. The unreserved portion of fund balance is uncommitted and, therefore, available for the reduction of real property taxes in the ensuing fiscal year. The reserved portion of fund balance represents moneys that the Town may only use for specific purposes. It is misleading to the public for the Board to have consistently presented budgets that, on average, included \$474,000 to be used to reduce the excess fund balance in the general fund when in fact it did not.

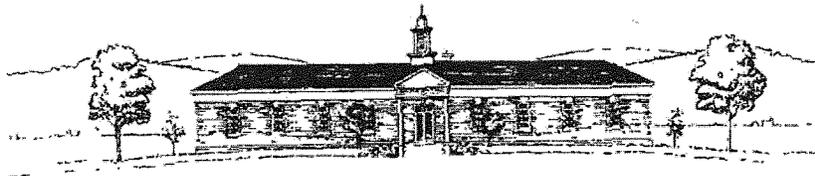
Recommendations

5. The Board and the budget officer should develop revenue and expenditure estimates for the annual budget that are realistic, to ensure that the amount of fund balance appropriated in the budget to reduce the tax levy is actually used.
6. The Board should develop a plan to reduce the unreserved, unappropriated fund balance in the general fund. If the Board believes it is necessary to accumulate money for a future planned purpose, it should consider formally establishing authorized reserves as provided for in statute.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



TOWN OF BOSTON

MARTIN A. BALLOWE
Supervisor

April 1, 2011

CATHY A. MAGHRAN
JAY P. BOARDWAY
JEFFREY A. GENZEL
EUGENE S. WIECKOWSKI
Town Board

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Room 1032
Buffalo, NY 14203-2510

DAVID J. SHENK
Town Clerk - Tax Collector

ROBERT J. TELAAK
Highway Supt

Dear Mr. Meller,

DEBRA K. BENDER
MICHAEL M. METZGER
Town Justice

I am writing in response to the Town of Boston's audit draft of March 2011 regarding the audit that was conducted by the Office of the State Comptroller.

MICHAEL L. KOBIOLKA
Town Attorney

For the time period January 1, 2007 through July 1, 2010, the Office of the State Comptroller conducted an audit of the Town of Boston entitled "Financial Operations". The stated objective of the audit was for the Town of Boston to use the results and recommendations in effectively managing operations and in meeting the expectations of their constituents. Accordingly, this response is submitted by Supervisor Martin A. Ballowe, as the Chief Executive Officer and Chief Fiscal Officer of the Town of Boston with the approval of the Town of Boston Town Board as the legislative body responsible for overseeing the Town's operations, finances and overall management of the Town.

KELLY A. VACCO
Deputy Town Attorney/
Prosecutor

JENEEN M. McSKIMMING
Assessor

WILLIAM G. FERGUSON
Code Enforcement Officer

KASEY D. LOEFKE
Dog Control Officer

MARILYN D. CLESSE
Recreation Director

The audit cites that the Highway Superintendent did not always comply with the town's procurement policy. The report references the activity involving purchasing snow blades and shoes. Routine maintenance items, such as highway sand, salt, gasoline, plow blades, shoes and similar frequently required items that are within the highway budget, should be at the superintendent's discretion. Thus, the town board has recently updated the procurement policy for the Highway Department by raising the approval amount to \$1,500. The previous dollar amount of \$300 was cumbersome and inefficient. It is the responsibility of the Highway Superintendent to stay within his budget and be familiar with the items needed to efficiently run his department. It is unfair to compare one municipality's relationship with an unethical vendor to another unrelated town. In this case, there are a limited number of suppliers, who sell readily available maintenance supplies in the area. Regarding the incomplete maintenance records in the highway department, I will be closely working with the superintendent, and educating his clerk on the necessary information needed to improve his record keeping.

TOWN HALL
(716) 941-6113
Fax (716) 941-6116

TOWN SUPERVISOR
(716) 941-6518
Fax (716) 941-9264

TOWN COURT
(716) 941-6115
Fax (716) 941-5189

HIGHWAY GARAGE
(716) 941-5869
Fax (716) 941-3677

NUTRITION PROGRAM
(716) 941-5773

In responding to the auditors' concern on the water district extension it is necessary to isolate this time period and parties involved. My administration, with a new majority, took office on January 1, 2010. Indeed, 4 of the 5 current members are new and did not hold office prior to January 1, 2010.

The services of the engineer and all payments were made prior to January 1, 2010 and the engineer who performed the services is no longer employed by the town. Upon taking office and reviewing the services, the payments and the end result; our administration raised similar concerns raised by the audit. We have currently referred this matter to our Town Attorney for a complete review to determine what remedy, if any, the Town may be able to pursue. Going forward, in early 2010, the Town Board retained the services of a new Town engineer and appointed a councilman as a liaison who has the background and experience to work closely with the engineer and keep the board fully apprised of all projects. When appropriate or necessary, the Town Engineer and liaison work with the Town Attorney, Chief Operating Officer, the accounting department and Bond Counsel if required. We feel we have put together a very effective, efficient and responsive engineering component for the Town. In 2010, we saved over \$30,000 in engineering fees from the previous year alone.

In regards to the drainage improvements raised by the audit, this matter likewise occurred in a prior administration. Per the recommendation of the audit, we have referred this matter to our Town Attorney to determine whether the Town could recover the \$15,000 paid for drainage improvements made on private property. Going forward, with the safeguards we have instituted in our engineering component, i.e. Town Board liaison, Town Attorney, Accounting Departments and monthly reviews, that situation will not develop again.

The audit cites the Town Board did not adopt budgets with realistic estimates for revenues and expenditures, which led to an accumulation of excessive fund balance. The Town of Boston has continually used a conservative approach to budgeting based upon various factors which can affect the financial status of the Town in multiple years. With the recent years decrease in state aid, sales tax and mortgage tax, it is unclear where the gap in the budget will be filled, without raising taxes, had we not had an unreserved sufficient fund balance. Having said that, this town board has lowered the general fund tax rate, and will continue to do so in the future. In addition, there will be additional funds appropriated to our current "Tax Stabilization Reserve" in order to keep taxes stable. The town board has numerous capital projects planned in our parks and recreation and will be appropriating additional funds to the "Recreation Reserve".

It is the Town Board's position that we have instituted sound financial management practices, and continue to improve upon implemented procedures. The board will continue to exercise its best judgment in both estimating appropriations and revenue to provide the necessary services for our residents in keeping taxes low, and providing accountability.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Martin A. Ballowe", with a date "4/11/11" written to the right of the signature.

Martin A. Ballowe
Supervisor Town of Boston

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed appropriate Town officials and employees regarding Town policies and procedures, tested selected records, and reviewed pertinent documents for the period January 1, 2007 to July 1, 2010.⁷ The specific procedures we performed are as follows:

- We interviewed highway employees to determine certain practices used by the Highway Department.
- We selected assets from inventory listings and invoices for inspection.
- We reviewed the Town's procurement policy for adequacy.
- We reviewed invoices and other supporting documentation to determine compliance with the Town's procurement policy. We used a risk-based judgmental selection process by scanning vendor history reports and abstracts of audited claims, focusing on unusual and/or high-risk highway purchases.
- We compared purchases with maintenance records to ensure that the items were accounted for properly.
- We reviewed multi-year financial data and inquired about material fluctuations.
- We compared the unreserved, unappropriated fund balance at December 31, 2009 with the 2010 fiscal year appropriations.
- We compared the 2009 budget with actual results for the general fund. For those accounts with significant variations, we compared the budget to actual results for the past five years.
- We reviewed the operating results in the general fund for the past five years.
- We interviewed the budget officer regarding the Town's budgeting practices.
- We reviewed activity in the Town's reserve funds.
- We determined the impact on real property tax levies as a result of the Town's budgeting practices.

We conducted our 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.

⁷ For illustrative purposes, we extended our scope to 2003 for certain purchases and to 2004 for financial condition analysis.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Steven J. Hancox, Deputy Comptroller

LOCAL REGIONAL OFFICE LISTING

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GENERAL MUNICIPAL LAW – SECTION 35

FILING OF REPORT OF EXAMINATION AND NOTICE THEREOF

Section 35. Filing of report of examination and notice thereof.

1. A report of such examination shall be made and shall be filed in the Office of the State Comptroller and in the office of the clerk of the municipal corporation, district, agency or activity, or with the secretary if there is no clerk. An additional copy thereof shall be filed with the chief fiscal officer, except that in the case of a school district, such additional copy shall be filed in the office of the chairman of the board of trustees, the president of the board of education or the sole trustee, as the case may be. When so filed, each such report and copy thereof shall be a public record open to inspection by any interested person.

2. (a) Within ten days after the filing of a report of examination performed by the Office of the State Comptroller, a report of an external audit performed by an independent public accountant or any management letter prepared in conjunction with such an external audit with the clerk of the municipal corporation, district, agency or activity, or with the secretary if there is no clerk, he shall give public notice thereof in substantially the following form: " Notice is hereby given that the fiscal affairs of (name of municipal corporation, district, agency or activity) for the period beginning on and ending on, have been examined by (the Office of the State Comptroller or an independent public accountant), and that the (report of examination performed by the Office of the State Comptroller or report of, or management letter prepared in conjunction with, the external audit by the independent public accountant) has been filed in my office where it is available as a public record for inspection by all interested persons. Pursuant to section thirty-five of the general municipal law, the governing board of (name of municipal corporation, district, agency or activity) may, in its discretion, prepare a written response to the (report of examination performed by the Office of the State Comptroller or the report of external audit or management letter by independent public accountant) and file any such response in my office as a public record for inspection by all interested persons not later than (last date on which response may be filed)."

(b) Except as otherwise provided for a common school district, the clerk or secretary if there is no clerk, shall cause such notice to be published at least once in the official newspaper, or if there be no official newspaper, in a newspaper having general circulation in the municipal corporation, district or area served by the agency or activity. If there be no newspaper having general circulation, the clerk or the secretary if there is no clerk, shall post such notice conspicuously in ten public places in the municipal corporation, district or area served. In a common school district which maintains a home school, the clerk shall post such notice on the front door of the schoolhouse. In a common school district which does not maintain a home school, the clerk shall post such notice conspicuously in at least five public places in the district.

(c) The clerk of every municipal corporation, district, agency and activity or the secretary if there is no clerk, shall file in his office proof of the publication or posting of notices pursuant to this section. The proof so filed shall be in such form as may be prescribed by the State Comptroller.

(d) In each school district subject to the jurisdiction of a district superintendent, under the provisions of Article forty-five of the Education Law, such district superintendent shall ascertain that the public notice required by this subdivision has been published or posted, as the case may be.

3. The clerk, or secretary if there is no clerk, shall present the report of examination to the governing body of the municipal corporation, district agency or activity for its consideration at the first meeting thereof held after the filing of the report with the clerk or secretary.

4. (a) The governing board or other board, officer or employee of the municipal corporation, district, agency or activity receiving a report of an external audit performed by an independent public accountant or a management letter prepared in conjunction with such an audit shall file in the office of the clerk of the municipal corporation, district, agency or activity, or with the secretary if there is no clerk, and shall furnish to the comptroller, a copy of the report or letter within ten days after receipt. If the report or letter is not received by the governing board, a copy shall be provided to the governing board within three days after receipt by any other board, officer or employee receiving the same.

(b) (1) Not later than ninety days after presentation to the governing board of a report of examination performed by the Office of the State Comptroller, or receipt by the governing board of any report of an external audit performed by an independent public accountant or any management letter in conjunction with such an audit, the governing board may, in its discretion, provide to the comptroller, and file in the office of the clerk, or with the secretary if there is no clerk, of the municipal corporation, district, agency or activity, a written response to the findings and recommendations, if any, in the report or letter. In the case of municipal corporations, districts, agencies or activities subject to examination by the commissioner of education, any written response shall also be provided to such commissioner.

(2) A written response prepared pursuant to subparagraph one of this paragraph shall be in such form as may be prescribed by the comptroller and shall include, with respect to each finding or recommendation, a statement of the corrective actions taken or proposed to be taken, or if corrective action is not taken or proposed, an explanation of the reasons therefor. Any such written response shall also include a statement on the status of corrective actions taken on findings or recommendations contained in any previous report of examination, or report of an external audit, or any management letter prepared in conjunction therewith, by an independent public accountant for which a written response was required. All officers and employees of the municipal corporation, district, agency or activity shall fully cooperate with the governing board in the preparation of the response by the governing board.

(c) The provisions of this subdivision shall not apply to any city having a population of one million or more.

NOTE: Proof of publication shall be filed in the office of the clerk or secretary of the municipality or district. You are not required to file a copy of proof of publication with the Office of the State Comptroller.