



# Town of Brookfield

## Town Clerk

### Report of Examination

Period Covered:

January 1, 2010 — May 31, 2011

2011M-254



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

February 2012

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 Town of Brookfield, entitled Town Clerk. 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*

# Introduction

## Background

The Town of Brookfield (Town) is located in Madison County (County) and has a population of approximately 2,400 residents. The Town is governed by a Town Board (Board), which consists of the Town Supervisor (Supervisor) and four council members. The Board is responsible for the general management and control of the Town finances, including oversight of the Town Clerk.

The Town Clerk (Clerk) is elected and has responsibilities that include issuing licenses and collecting various fees, and collecting Town and County real property taxes from January 1 to April 30 each year. Generally, the fees collected are the property of the State, County or the Town and must be allocated and remitted monthly to the appropriate government agencies. The Clerk collected approximately \$33,257 in fees during our audit period.

## Objective

The objective of our audit was to determine if the Clerk properly accounted for all moneys received and disbursed in her official capacity. Our audit addressed the following related questions:

- Did the Clerk record, deposit, disburse, and report all real property taxes and Clerk fees in a timely and accurate manner?
- Did the Board provide adequate oversight of the financial activities of the Clerk's office?

## Scope and Methodology

We examined financial activities of the Clerk's office for the period January 1, 2010 to May 31, 2011.

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 A 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 have been considered in preparing this report. Town officials were given an opportunity to respond to our findings and recommendations within 30 days of the exit conference, but they did not respond.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General

Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

## Town Clerk's Office

The Clerk is responsible for receiving, recording, depositing, disbursing, and reporting all moneys collected in an accurate and timely manner. This requires maintaining complete and accurate accounting records, ensuring that moneys received are safeguarded, and promptly depositing moneys received into the Clerk's bank accounts and disbursing those monies to the appropriate parties.

The Clerk collects Town and County real property taxes from January 1 to April 30 each year. In 2010 and 2011, the tax warrants were \$1,582,019 and \$1,654,069, respectively. The Clerk is responsible for periodically remitting paid taxes to the Town for its share of the tax levy, penalties and interest, and payment to the County for the balance of the taxes collected. At the end of the collection period, the Clerk prepares a reconciliation of the tax warrant to account for all collections, adjustments and unpaid taxes. Unpaid taxes are returned to the County Treasurer for collection and enforcement proceedings.

The Clerk did not deposit, disburse and report Clerk fees, real property taxes and other monies that were received, in a timely and accurate manner. Additionally, collected taxes were not deposited intact.<sup>1</sup> Further, the Clerk did not remit collections in a timely manner. As a result there is an increased risk that funds could be lost or stolen.

### Deposits

Town Law requires the Clerk to deposit all taxes and penalties collected within 24 hours of receipt and to deposit all Clerk fees collected no later than the third business day after accumulating \$250. Money collected should be deposited intact. Further, the Clerk should ensure that all monies collected are properly recorded in the accounting system and that deposit amounts correspond to receipts received and recorded.

Tax Collections – The Clerk did not deposit tax collections timely and intact. During the 2010 tax collection period, the Clerk did not make deposits within 24 hours of receipt. For example, her first deposit was made on January 8, 10 days after she received the first tax payment. On March 8, she deposited \$97,555 that was collected between January 29 and March 1, up to 38 days late. The May 3 deposit of \$138,665 was made up of payments received from January 30 to April 30, 93 days after the first collection.

The Clerk's 2011 tax collection records did not always include the composition of deposits. Therefore, Town officials would have no

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<sup>1</sup> Intact means in the same amount and form (cash or check) as received.

way to reconcile the specific amounts received to the specific amounts deposited. Our comparison of tax receipts to deposits showed that total tax receipts recorded were all deposited during (or shortly after) the collection period. However, because the Clerk did not regularly identify which individual receipts made up each deposit, we could not determine when specific receipts were deposited. For example, the Clerk made her first deposit of \$179,378 on January 14 while her records show collections of \$181,424. This deposit was 12 business days after the first tax payment was received. The Clerk generally made one deposit per month from February through April even though her records show collections were received almost daily.

Clerk Fees – The Clerk deposited Clerk fees collected intact; however, the Clerk did not deposit moneys collected timely. Clerk fees were deposited once a month in the beginning of the month following collection. We reviewed the 17 deposits made from January 2010 through May 2011 totaling \$32,945. All were deposited by the 15th of the month following collection. For example, in April 2010, Clerk receipts amounted to \$2,149, but she did not deposit the funds until May 3, 26 days after receipts first accumulated to over \$250. In September 2010, Clerk receipts amounted to \$9,093 but she did not deposit the funds until October 4, 28 days after the funds first accumulated to over \$250.

The Clerk said it was not practical to go to the bank daily because there is no bank located in the Town. Failure to ensure that moneys collected are safeguarded and deposited timely and intact increases the risk that errors and irregularities can occur and not be detected in a timely manner.

## **Remittances**

Generally, all fees received by the Clerk are the property of the Town, County or the State. The Clerk should remit these moneys promptly to the appropriate agencies.

Tax Collections – Town Law requires town clerks to remit all taxes and penalties collected to the Supervisor at least once each week until the Town's portion of the tax levy is satisfied, and remit all additional taxes collected to the county treasurer by the 15th of each month following receipt. Town clerks also must remit any penalties collected on delinquent taxes to the Supervisor.

The Clerk did not make weekly payments to the Town Supervisor and did not make monthly payments to the County Treasurer. For instance, in 2010, the Clerk paid the Supervisor \$238,890 on February 20 for taxes collected in January, at least three weeks after the Clerk received the first payment. In addition, even though the Clerk should remit all moneys collected within one week after April 30 each year,

her account contained \$6,981 in interest, fees and refunds for the 2010 tax season that she did not remit until January and February of 2011. In 2011, the Clerk did not remit \$118,895 collected during February, March and April to the Supervisor until May 10. Those remittances were made approximately three months after the Clerk received the first tax payment in February, instead of weekly as required. Real property tax receipts collected for both years were paid to the County for the County's portion of the tax levy in May of each year. Moneys collected were not turned over to the County by the 15th of each month following their receipt as required.

Clerk Fees – Town Law requires the Clerk to submit monthly to the Supervisor a verified statement of all moneys received and remit such monies to the Supervisor on or before the 15th of the month following receipt. Town clerks must also report and remit collections to other governments.<sup>2</sup>

Although the Clerk prepared monthly reports showing the amount to be given to the Town Supervisor and other agencies, she did not always turn over the reports and moneys promptly. For example, the Clerk did not report and remit the November 2010, December 2010 and January 2011 Clerk fees until March 2011, three months late.

Delays in remitting real property tax moneys to the Supervisor and County Treasurer result in moneys not being available to fund Town and County operations. Failure to ensure that Clerk fees collected are remitted timely increases the risk that errors and irregularities can occur and not be detected in a timely manner. When moneys collected are not remitted timely, the risk that they could be used for inappropriate purposes increases.

## **Recommendations**

1. The Clerk should deposit all moneys timely and intact.
2. The Clerk should document which individual receipts make up each deposit.
3. The Clerk should remit moneys collected to the Supervisor, County, and State in a timely manner.

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<sup>2</sup> Domestic Relations Law section 15(3) requires town clerks to prepare a monthly report and remit collections of marriage license fees to the New York State Department of Health on or before the 15th of the month. Agriculture and Markets Law section 110 requires town clerks to prepare a monthly report and remit collections of dog license fees to the New York State Department of Agriculture and Markets for the Animal Population Control Fund on or before the fifth day of each month.

## Board Oversight

The Board is responsible for the overall supervision of the Town's financial affairs and safeguarding its resources. The Board also has certain powers and duties with respect to overseeing the financial operations of the Clerk. Town Law requires that the Board annually audit the records and reports of any Town officer or employee who received and disbursed moneys on behalf of the Town in the preceding year, or hire a certified public accountant or public accountant for that purpose. In conducting its reviews, it is important for the Board to determine whether effective procedures are in place that are sufficient to ensure that the Clerk properly accounts for, records, and deposits moneys collected on a timely basis. Although the Board is required to examine the Clerk's records on an annual basis, more frequent monitoring of the Clerk's financial activities could further reduce the risk that errors or irregularities may occur and remain undetected.

The Board did not perform an audit of the Clerk's books, records, receipts, canceled checks or check images. As a result, the Board was unaware that the deposits and remittances were not timely. As a result, there is an increased risk that moneys will not be properly accounted for or that errors or irregularities could occur and go undetected.

### Recommendations

4. The Board should perform or contract for an annual audit of the Clerk's financial operations to help ensure that records and reports are adequate and accurate.
5. The Board should consider more frequent monitoring of the Clerk's financial activities to ensure that deposits and remittances are timely.

## APPENDIX A

### AUDIT METHODOLOGY AND STANDARDS

Our audit procedures included examining selected financial operations, procedures, records and reports of the Clerk. To accomplish the objectives of the audit and obtain valid audit evidence, we interviewed appropriate officers and employees, and tested selected records and transactions. Our procedures included the following steps:

- We examined financial records related to the Clerk’s receipt, deposit, and disbursement of moneys. These records included duplicate receipts, deposit tickets, daily and monthly cashbook reports, monthly reports to the Supervisor, canceled check images, bank statements, tax rolls, tax receipts, Madison County tax settlement statements, and other related records.
- We performed a cash count of the Clerk’s Office on June 15, 2011 to establish the amount of cash and checks on hand since the last bank deposit for comparison to the cashbook.
- We performed analytical review procedures from January 2010 to May 2011, including analyzing cash deposits and reviewing the amount of penalties remitted to the Supervisor.
- We compared the Clerk’s daily cashbook reports to the monthly reports and canceled checks to determine if the Clerk remitted all fees collected to the appropriate agencies.
- We compared source documentation to the monthly reports prepared by the Clerk to determine if the reports were accurate.
- We reviewed the Clerk’s monthly reports for timely submission to the Supervisor.
- We compared Department of Environmental Conservation license “Daily License Sales Report” receipts with the Clerk’s records of Clerk fees received for the period January 1, 2010 through May 31, 2011.
- We compared the log of building permits maintained by the codes enforcement officer with the Clerk’s records and investigated all differences.
- We reviewed the Clerk's bank account statements for our audit period for unusual items.
- We performed an analysis of the Clerk’s and Tax Collector’s bank deposits to determine whether each deposit was timely and intact.

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

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Nathalie N. Carey, Assistant Comptroller

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