



# Town of Fenton

## Selected Town Clerk's Receipts

### Report of Examination

Period Covered:

January 1, 2011 — June 28, 2012

2012M-167



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

December 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 the Town of Fenton, entitled Selected Town Clerk's Receipts. 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 Fenton (Town) is located in Broome County and has a population of 6,674 residents. Total budgeted appropriations for the 2012 fiscal year were \$3 million. The Town Board (Board) consists of the Town Supervisor and four Board members, who collectively are responsible for the oversight of the Town's financial operations. The Town Clerk (Clerk) is responsible for maintaining Town records as well as for the collection and proper accounting of various Town receipts, including marriage and dog licenses, gym rentals, and building permits. The Clerk collected about \$27,000 in 2011 for these fees. The Clerk has two employees, one being the Deputy Clerk, who perform various functions within her office.

## Objective

The objective of our audit was to review the Clerk's financial operations. Our audit addressed the following related question:

- Did the Clerk ensure that selected receipts were properly accounted for?

## Scope and Methodology

We examined selected collection and accounting practices of the Clerk as well as the Board's oversight of the Clerk's procedures for the period January 1, 2011 to June 28, 2012.

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 C 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 our results and recommendations and indicated they planned to initiate correction action. Appendix B includes our comments on issues raised in the Town's response letter.

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 Receipts

The Clerk, as head of her department, is responsible for establishing procedures that adhere to the Board-adopted policies. Such policies and procedures should include properly accounting for all monies collected in the Clerk's office as well as ensuring that receipts are deposited timely and intact. The Clerk is also responsible for providing adequate oversight of her employees and the Board is required to provide for an annual audit of the Clerk's operations.

The Clerk did not ensure that selected receipts were properly recorded and deposited timely and intact, nor did she provide adequate oversight of the employees that collect money in her office. In addition, the Board did not address the issues that it uncovered during their audit of the Town Clerk's books and records.

Collections — The Clerk provides only limited oversight of the two employees who collect money. The Clerk and her employees collect money through the use of a common cash drawer, and use the same username and password for the computerized system. The employees provide the Clerk daily reports that summarize the collection activity. Collections remain in the common drawer until the Clerk makes a bank deposit. She does not verify that the collections recorded represent all the money that should have been collected.<sup>1</sup> For example, she could compare the issued dog licenses, the building department's report of fees collected, or the gym rental calendar to verify those revenue sources were collected and properly recorded. If errors or irregularities occur in the collection process, the Clerk will be unable to identify the source, or possibly even be aware of the occurrence.

Recording — The Clerk did not maintain an accurate running cash balance. Although employees in the Clerk's office did record transactions in the computerized financial system used to create the reports for the Town Supervisor, this system is not used to maintain cash balances for the Clerk's office. Instead, the Clerk used a manual ledger to track ongoing cash balances. She did not accurately record these collections in the manual ledger. The Clerk's 2011 cash ledger contained 12 errors including inaccurate recording, arithmetic errors, and not recording adjustments. These errors resulted in the ledger balance being \$587.50<sup>2</sup> higher than it should have been. The Clerk informed us that she occasionally compares her manual ledger balance

<sup>1</sup> As deposits are not made daily, they are not compared to daily reports (see Deposits).

<sup>2</sup> This \$587.50 represents 29 percent of the average total balance of the account.

to the bank balance, but does not perform formal bank reconciliations. She stated that she knew the ledger balance was not correct, but she did not identify or correct the discrepancies. Moreover, as of June 2012, the Clerk was not maintaining any cash ledger for 2012, preventing any reconciliation of this manual cash account with the bank balance.

Deposits — The Clerk did not ensure that the moneys collected by her office were always secured. Twice we observed cash left on a desk in her office because she had gone to lunch on one occasion and a personal errand on another, while preparing the bank deposit. Further, 12 of the 14 deposits we reviewed were not deposited within three days as required. These deposits were made up to 11 business days after the money was collected.

The Board indicated that its annual audit, which was performed by a CPA, uncovered only some of these issues, and the Board verbally suggested changes to the Clerk that were not implemented. However, the Board was unsure if it had sufficient authority to require that the Clerk correct issues identified. The significance of the risks with this Clerk's operations requires strong Board oversight that can be manifested in the establishment of fiscal policies. The Board has not adopted any such policies to adequately address the risks we identified in this audit.

Weak internal controls over collections eliminate any possibility that the Clerk and Board are sure that all the money owed to the Town is collected, recorded, and deposited. The use of a common drawer and user access eliminates any individual accountability over the collections when irregularities may arise. Inaccurate records further hinder the ability to provide adequate oversight. Finally, when collections are not secured and deposited timely, the risk of theft is significantly increased.

## **Recommendations**

1. The Clerk should develop procedures that ensure the proper collection, recording and deposit of receipts.
2. The Clerk should establish collection procedures that include more effective controls, such as requiring separate usernames and passwords for the computerized system, no longer sharing a cash drawer, verifying that reported amounts collected match actual amounts due, and depositing receipts in a timely manner.
3. The Clerk should further develop existing recording procedures to include maintaining an accurate running cash balance and performing monthly reconciliations to bank statements.

4. The Clerk should ensure that monies entrusted to her are appropriately secured at all times.
5. The Board should require the Clerk to correct issues identified in its annual audit.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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

# TOWN OF FENTON

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## OFFICE OF THE SUPERVISOR

David C. Hamlin, SUPERVISOR

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PHONE: 607-648-4800 FAX 607-648-7119 e-mail: [tfenton-supv@stny.rr.com](mailto:tfenton-supv@stny.rr.com)

### Town of Fenton Response / Corrective Action Plan 2012 State Comptroller Audit Town Clerk Receipts November 29, 2012

The Town Board of the Town of Fenton acknowledges receipt of the draft audit performed by the state comptrollers office for the period January 1, 2011 thru June 28, 2012. This audit focused on procedures in the Town clerks office relating to the collection, recording and deposit of funds. The town board recognizes some of the shortcomings highlighted by the report and would like to respond in detail that highlights the corrective actions taken and plans in place for addressing the recommendations in the report.

While recognizing some of the shortcomings, the board takes issue with the comment that “they did not address the issues”. Though no policies specific to the town of Fenton are documented, the Town Board authorizes an audit of town finances, including the Town Clerk’s office annually by an outside accounting firm. This audit from time to time makes recommendations on improvements in procedures for better controls. The town board recognized these suggestions in previous audits for the town clerks office. Based on this the town board made suggestions on how to adjust procedures to satisfy these recommendations. In addition the town board authorized the use of the accounting firm, on more than one occasion, to meet with the clerks office to specifically explain the procedural changes that would be needed to correct the problems found. The board also asked for the results of the monthly banking reconciliations. Unfortunately these suggestions and requests were not fully complied with. It is from this point that the board was “unsure if they had the sufficient authority” to require these changes.

See  
Note 1  
Page 10

Having said this the board, town clerk, and newly elected town clerk have made or plan to take the following corrective actions to the recommendations made by the audit.

1. The Town clerk has investigated if the existing software used will allow for tracking cash/check transactions. The software has been modified and they are now tracking these transactions. In addition, quarterly the town clerks office will compare deposit slip check/cash to the receipts on file to insure the intactness of deposits.
2. The clerk’s office staff will have separate passwords beginning January 2013 to allow for tracking of transactions. However, due to the amount of daily transactions it does not seem to make sense to have more than one “bank” to fund

and account for daily. Reported amounts will be reconciled daily to detect and correct any errors as soon as possible. Bank deposits will be made at least twice per week.

3. The normal check ledgers will be maintained, and monthly reconciliations will be performed, as is the standard practice.
4. Cash will be handled in a secure manner. At no time will funds be left unattended and should not be visible any more than is absolutely necessary.
5. The board expects these procedures to be performed in a professional way and will continue the annual audits to identify issues that may come up. It is expected that a sensible response will be made to the comments of these audits, understanding the benefits and risks involved.

The board would like the comptroller's office to identify what leverage the board has beyond suggestions and training in requiring any elected official to change procedures.

See  
Note 2  
Page 10

Respectfully submitted,

David C. Hamlin  
Supervisor – Town of Fenton

Jéan Baker  
Town Clerk – Town of Fenton

Melodie Bowersox  
Town Clerk Elect – Town of Fenton

## **APPENDIX B**

### **OSC COMMENTS ON THE TOWN'S RESPONSE**

#### Note 1

We amended our report based on information provided by the Town.

#### Note 2

We recommend that the Board contact the Town's Attorney to discuss legal options available to ensure elected officials, such as the Town Clerk, properly implement Board-adopted policies.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

During this audit, we examined selected collection and accounting practices of the Clerk's office as well as the Board's oversight of those procedures for the period January 1, 2011 to June 28, 2012. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following:

- We conducted interviews with various Town officials to gain an understanding of the internal controls over the Clerk's office.
- We selected a sample of three months, representing 10 rentals and \$325 in revenue, and compared the Clerk's monthly reported receipts for gymnasium rentals to the gymnasium rental calendar to ensure that the reported amounts were accurate.
- We selected a sample of two months, representing 11 licenses and \$440 in revenue, and compared the Clerk's monthly reported receipts for marriage licenses to the marriage license reports submitted to the New York State Department of Health to ensure that the reported amounts were accurate.
- For the entire audit period, representing 95 building permits and \$6,051 in revenue, we compared the Clerk's monthly reported receipts for building permits to the monthly building permit reports submitted to the Board by the building inspector to ensure that the reported amounts were accurate.
- We compared individual transactions on the building permit reports for two months (15 transactions totaling \$940) to ensure they were on the monthly Clerk's report.
- We reviewed Board minutes to identify the Board-approved rate for rental property income and calculated the appropriate rental income amounts for the audit period. We then compared the calculated amounts with the Clerk's monthly reports for the audit period to verify that the reported amounts were accurate.
- We reviewed a report of dog licenses sorted by license number and identified any gaps in sequence. We then inquired of the Clerk about any sequence gaps to identify any unaccounted for licenses.
- For a sample of three months, representing 14 deposits and \$7,013, we compared daily cash reports from the Clerk's computerized system to bank statements to determine the timeliness of deposits.
- For the 2011 fiscal year, we compared the Clerk's account ledger to bank statements to identify errors and reconcile the account.

- We completed a monthly accountability to identify monies in the Clerk's account above or below the account liability amount.

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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