



Town of Oakfield Controls Over Garbage Punch Cards

Report of Examination

Period Covered:

January 1, 2011 — July 23, 2012

2012M-154



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State of New York Office of the State Comptroller

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 Oakfield, entitled Controls Over Garbage Punch Cards. 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 Oakfield (Town) is located in Genesee County and has a population of 3,250 residents. The Town includes the Village of Oakfield (Village) within its borders. The Town is governed by four council members and a Supervisor, comprising the elected Town Board (Board). The Board is the legislative body responsible for managing Town operations, including establishing appropriate internal controls over financial operations and monitoring finances to maintain a sound financial condition.

Town residents must purchase a press-numbered garbage punch card in order to dispose of waste at the Town's waste facility. The Town Clerk's office is responsible for selling the cards and collecting, recording, depositing, and reporting fees from the sale of these cards. The Town's reported 2011 operating expenditures totaled \$448,262, funded mainly from real property taxes and State and Federal aid. The 2012 budget is \$511,913. The Town reported revenues from refuse and garbage sales of \$39,444¹ in 2011, which was the first year the cards were sold.

Objective

The objective of our audit was to assess the internal controls over the sale of garbage punch cards. Our audit addressed the following related question:

- Were there adequate controls over the punch card process to ensure that the Town Clerk deposited and recorded the appropriate amount of revenue from the sale of the cards?

Scope and Methodology

We examined internal controls over the sale of punch cards for the period January 1, 2011 through July 23, 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 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 agree with our findings and recommendations, and indicated that they will initiate corrective action.

¹ The \$39,444 for refuse and garbage sales includes \$28,920 from the sales of cards, as well as fees collected through the previous system in January, February, and March while the Town was transitioning to the use of punch cards.

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 Town Clerk's office.

Garbage Punch Cards

Town officials are responsible for establishing procedures to help ensure that the inventory of garbage punch cards (cards) is safeguarded and the related fees collected from the sales of the cards are properly accounted for. To establish accountability, the Town Clerk (Clerk) should maintain an inventory record that accounts for cards purchased for sale, distributed to other entities for sale, and sold. Periodically, card inventory records must be reconciled to unsold cards, and any differences promptly investigated and resolved. Such reconciliation is also helpful in determining the accuracy of reported sales of cards. The Board is also responsible for auditing the records of the Clerk on an annual basis, including a complete review of the reconciliation of cards purchased to sales and the unsold inventory of cards on hand, at all sales locations, at the time of the audit.

The Clerk did not adequately account for the sale of cards, nor did the Board provide proper oversight through an annual audit of departments handling cash. As a result, the Clerk could not account for 1,519 cards valued at \$30,380. Due to the lack of sufficient accounting records and Board oversight, we were not able to determine what happened to these cards, nor could Town officials provide any explanation.

In February 2011 the Clerk obtained 5,000 press-numbered cards for sale to the public.² Each card sells for \$20 and is printed with 20 spaces, which are punched by the attendant at the waste facility³ based on the volume of garbage the resident disposes there. These cards were sold at five locations: the Clerk's office, the Village offices, and three local businesses.

Reconciliations of Sales – The Clerk did not maintain sufficient records to allow for the periodic reconciliation of cards distributed to cards sold and cards on hand. During the period February 2011 through July 2012, the Clerk did not record the date, number, or the range of press-numbered cards she distributed to the other four locations. Without a record of cards distributed to the Village and the three businesses, it is difficult to determine and investigate the reasons for unreconciled differences between cards purchased to cards recorded as sold and on hand.

The Village and the three businesses provided the Clerk with a schedule of cards sold, by press number, when they remitted sales

² Prior to the sale of the cards, residents paid for waste disposal directly at the waste facility.

³ Punch cards are not sold at the Town's waste facility.

proceeds (cash and checks) to her. However, there were gaps in the number sequences of the card sales recorded for each location. The Clerk recorded the sales by location, as well as the cards sold by her office by press number, but there were gaps in the number sequences on her records. Due to the lack of sufficient recordkeeping, we could not determine the reasons for these gaps. Further, after the punched cards were fully redeemed, they were not retained at the waste facility and therefore could not be used for reconciliation purposes.

We compared cards purchased with the cards recorded as sold and the cards that should have remained as unsold inventory at the various locations, as reported to us by each location.⁴ We found that 1,519 cards valued at \$30,380 were unaccounted for, as indicated in Table 1:

Table 1: Reconciliation of Punch Cards February 1, 2011 through July 23, 2012		
	Number of Cards	Dollar Value
Beginning Inventory of Cards	5,000	\$100,000
Less Cards Sold by:		
Town Clerk	140	\$2,800
Village Clerk	87	\$1,740
Business #1	234	\$4,680
Business #2	183	\$3,660
Business #3	802	\$16,040
Cards Recorded as Sold	1,446	\$28,920
Cards not Recorded as Sold	3,554	\$71,080
Less Cards on Hand at 7/23/12 ^a	2,035	\$40,700
Unaccounted-For Cards/ Lost Revenue	1,519	\$30,380
^a With the Clerk and the other four entities		

Without an accurate record of the number of cards distributed to the four entities, there is no assurance that the unaccounted cards were not sold, lost, or stolen.

Annual Audit – The Board’s oversight of card sales and the card inventory was also inadequate. The Board did not conduct an annual audit of the Clerk’s records as required.⁵ Had the Board completed the audit, it would have seen that the accounting records were not sufficient and that periodic reconciliations were not completed. As a result, the Board did not take timely corrective action to address the deficiencies in the records or investigate the unaccounted-for cards.

⁴ Business #3 sold cards until January 2012.

⁵ Town Law, Section 123

Although the Board receives monthly reports from the Clerk, these provide only the amount of card sales in total.

Without a full accounting of the press-numbered punch cards, Town officials cannot verify that the Clerk received all sales proceeds from the other locations and deposited and recorded the appropriate amount of revenue from the sale of the cards.

Recommendations

1. The Clerk should maintain an inventory record that accounts for cards initially obtained, cards distributed to other entities for sale, and cards sold, and periodically reconcile the card inventory records to unsold cards.
2. The Board should investigate the identified discrepancies, determine what happened to the unaccounted-for cards, and take appropriate action. This may include collecting and tracking the pre-printed card numbers as they are used and the location from which they were purchased and tracing this information back to the sales remitted to the Clerk.
3. The Board should require the waste facility attendant to retain the cards, which should be used by the Board during its annual audit of the Clerk's records.
4. The Board should audit the records of the Clerk, at a minimum, on an annual basis. This should include a complete review of the reconciliation of cards purchased to sales and the unsold inventory of cards on hand at the time of the audit. The Board should reconcile the card sales monthly until the issue is resolved.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

Town Supt. of Highway
Alan R. Dennis

Supervisor
Michael T. Cianfrini

Town Justices
Thomas A. Graham

Assessor
Barry D. Flansburg

Building & Fire Inspector
Mark A. Mikolajczyk



Town Clerk – Tax Collector
Melissa M. Haacke

Deputy Town Clerk
Pamela J. Denny

Councilpersons
Carol L. Glor
Timothy A. Kabel
Matthew E. Martin
James P. Veazey

Zoning Officer
Brian S. Glor

3219 Drake Street, Oakfield, NY 14125
Phone: 585-948-5835 • Fax: 585-948-8108 • Website: townofoakfieldny.com

Town of Oakfield
Town of Oakfield Controls Over Garbage Punch Cards
Audit Report Number: 2012M-154

The Town of Oakfield (The Town) is in receipt of the Office of the State Comptroller Audit Report and submits this written response in accordance with instructions received in conjunction with the audit report.

After careful review of the audit report and following discussions of the audit report with the State Comptroller Representatives, the Town does not dispute the report findings and agrees with the recommendations contained in the draft report.

For each recommendation included in the audit report, the following is our corrective actions taken or proposed.

AUDIT RECOMMENDATION:

The Clerk should maintain an inventory record that accounts for cards initially obtained, cards distributed to other entities for sale, and cards sold, and periodically reconcile the card inventory to records to unsold cards.

The Board should investigate the identified discrepancies, determine what happened to the unaccounted for cards, and take the appropriate action. This may include collecting and tracking the preprinted card numbers as they are used and the location from which they were purchased and tracing this information back to the sales remitted to the Clerk.

The Board should require the waste facility attendant to retain the cards, which should be used by the Board during its annual audit of the Clerk's records.

The Board should audit the records of the Clerk, at a minimum, on an annual basis. This should include a complete review of the reconciliation of cards purchased to sales and the unsold inventory of cards on hand at the time of audit. The Board should reconcile the cards sales monthly until the issue is resolved.

IMPLEMENTATION PLAN OF ACTION

1. Different color punch cards will be ordered and in a larger size

2. Once punch cards are printed and received, the Town Clerk and Deputy Clerk will open and inspect tickets to ensure all tickets are accounted for and are in sequential order.
3. A three ring binder will be kept for every location selling ticket. This will contain a log for each business, including the Town who is selling tickets which states the number of tickets on hand at each location, the sequence numbers, date the business took possession of tickets and the disbursement logs received each week when monies are collected from each business.
4. Any and all missing or destroyed tickets shall be documented by the businesses and/or returned by the business to the Town or disclosed to the Town should the sequence become out of order.
5. Businesses shall be held accountable for all missing tickets.
6. Employees at the dump will retain all exhausted punch cards and Town Officials shall audit the retained tickets quarterly. Exhausted tickets shall be retained for a period of 3 years. The Town Superintendent of Highways shall secure and retain exhausted tickets pending audit.
7. The Town is looking into forming a Garbage District to illuminate these issues.

IMPLEMENTATION DATE:

This Corrective Action will take effect January 1, 2013.

PERSON RESPONSIBLE FOR IMPLEMENTATION:

Melissa M. Haacke, Town Clerk

Alan R. Dennis, Superintendent of Highways

Signed:

Date:

Michael T. Cianfrini, Supervisor

12/5/12

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed appropriate Town officials and employees, tested selected records, and examined pertinent documents for the period January 1, 2011 through July 23, 2012. Our procedures included the following:

- We interviewed Town officials to obtain an understanding of the controls over garbage punch cards.
- We reviewed the minutes of Board meetings to obtain an understanding of the Board's oversight of card sales.
- We reviewed the records prepared by the Clerk, Village, and three local businesses documenting the sale of cards.
- We compared remaining cards to the numbers that were reported as sold to confirm whether all tickets were accounted for. We contacted the Village and the two local businesses currently still selling punch cards to verify their inventory as of July 23, 2012.

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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