



Town of Great Valley

Town Clerk

Report of Examination

Period Covered:

January 1, 2013 — December 16, 2013

2014M-29



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials and Corrective Action	3
TOWN CLERK	4
Tax Collector Activity	4
Clerk Activity	5
Board Oversight	6
Recommendations	7
APPENDIX A Response From Local Officials	8
APPENDIX B Audit Methodology and Standards	10
APPENDIX C How to Obtain Additional Copies of the Report	11
APPENDIX D Local Regional Office Listing	12

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2014

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 Great Valley, 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 Great Valley (Town) is a rural community located in Cattaraugus County (County), with a population of 1,974 residents. The Town Board (Board) consists of an elected Town Supervisor (Supervisor) and four elected Council members and is the legislative body responsible for overall Town operations. The Supervisor also serves as the Town's chief executive and chief fiscal officer. The elected Town Clerk (Clerk) serves as the Clerk to the Board and issues and/or collects fees for licenses, permits and town hall rentals. The Clerk also performs the functions of the Town tax collector.

The Town's 2013 general and highway fund expenditures totaled \$1,215,979 and were funded primarily with real property taxes and State aid. The Clerk collected approximately \$2,394,000 in Town and County real property taxes for 2013 and reported Clerk receipts totaling \$1,036 for 2012 and \$706 for January through October 2013.

Objective

The objective of our audit was to evaluate the Clerk's financial management practices. We addressed the following related question:

- Did the Clerk properly receive, deposit, remit and report cash receipts?

Scope and Methodology

We examined the records of the Clerk for the period January 1, through December 16, 2013.

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 is 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 our recommendations and indicated they will take 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 Board to make this plan available for public review in the Clerk's office.

Town Clerk

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, promptly depositing moneys received and disbursing those moneys to the appropriate parties. It is the Board's responsibility to provide adequate oversight of the Town's financial affairs and to audit, or cause to be audited, the books and records of the Clerk, as Clerk and as tax collector, on an annual basis.

We found that the Clerk remitted tax collections to the Town and the County up to two months late and returned duplicate payments eight months after the payments were made. The Clerk did not indicate the date of payment on tax stubs/receipts and made deposits on average nine days late. We also found that the Clerk did not properly receive, deposit timely or remit and report Clerk cash receipts. Further, the Clerk did not deposit receipts for town hall rentals totaling \$325 intact and refunded hall deposits in cash. Therefore, there is a risk that not all collections were recorded and deposited. In addition, the Board has not performed an annual audit of the Clerk's records.

Tax Collector Activity

The Clerk, as tax collector, is responsible for recording the dates and forms of payment (i.e., cash or check), depositing all collections timely and intact and imposing penalties on payments received after the 30 day penalty-free period. The Clerk is required by Town Law to deposit all tax moneys collected within 24 hours of receipt, remit all tax deposits to the Supervisor at least once each week until the Town's tax levy is satisfied and remit all residual tax collections to the County Treasurer by the 15th of each month following receipt.

At the end of the collection period, the Clerk is required by Real Property Tax Law to reconcile the tax roll with the amount collected and the amount remaining unpaid and settle with the County Treasurer. At the time of settlement, the Clerk must account for the taxes collected, the amount of taxes remitted to the Supervisor, the amount previously remitted to the County Treasurer, any adjustments to the tax roll and the taxes that remain unpaid. After the Clerk has settled with the County, there should be no further activity and the Clerk's tax bank account balance should be zero.¹

¹ Unless the bank requires a minimum amount to be held in the account

The Clerk's original settlement submitted to the County for the 2013 tax levy contained errors. The County's adjusted settlement between the Collector and the County included \$1,763 due to the Town for a check that was returned for insufficient funds and not included on the unpaid list submitted to the County. The County later billed the Town \$4,571, subtracting the \$1,763 insufficient funds amount from a \$6,077 paid tax bill that was incorrectly included on the unpaid list, together with \$257 in other corrections.

Further, the Clerk did not routinely remit weekly payments to the Supervisor. Rather, the Clerk paid a total of \$939,471 to the Supervisor on five² dates during the collection period for the Town's tax levy. The Clerk then remitted an additional \$6,634 to the Supervisor on May 28, 2013, which was after the collection period. The Clerk remitted \$1,431,112 on April 16, 2013 to the County. However, the remaining \$4,571 in the account at that time was not remitted until August 9, 2013.

In addition, overpayments of \$4,295 received on January 31 and \$1,022 deposited on February 14 were not refunded until October. Cash sufficient to refund the overpayments was not available in the tax collector's bank account until October 7, when a mortgage company repaid an erroneously refunded³ duplicate payment of \$3,965. Further, the \$1,022 overpayment was mistakenly refunded to the former property owner rather than the mortgage company that made the payments.

We reviewed 33 tax deposits totaling \$1,056,028 and found that 26 of these deposits totaling \$923,528 were not made timely, averaging nine days late. Further, the Clerk failed to indicate the date of payment on tax stubs/receipts. Therefore, there is a risk that not all collections were recorded and deposited.

Clerk Activity

The Clerk is responsible for collecting payments for dog licenses, sporting licenses, marriage licenses and fees associated with her role as the Town's registrar of vital statistics. The Clerk is required to issue duplicate receipts⁴ to payees, recording the form of payment (i.e., cash or check) for every transaction where no other evidence of receipt is available, and to deposit all moneys collected intact⁵ so that specific cash receipts can be identified through the accounting

² January 15, 22, 24 and 29 and February 12, 2013

³ Duplicate payment check was sent back to the mortgage company uncashed and also refunded on April 17, 2013.

⁴ One copy is given to the person remitting payment and the other retained by the Town.

⁵ Moneys deposited in the same order and form (cash or check) in which they were received

records to the bank statements. Town Law requires that Clerk receipts be deposited within three business days after the total exceeds \$250. Good business practices dictate that all receipts which do not exceed \$250 be deposited on a weekly basis, to reduce the risk of loss. The Clerk must remit the Town's portion of receipts to the Supervisor by the 15th of the month following receipt.

We found that the Clerk did not issue duplicate receipts⁶ for dog and marriage licenses, registrar fees or Town hall rental fees. Also, the Clerk did not deposit receipts intact. Generally, only \$25 of the \$75 fee and deposit for hall rentals was deposited in the Clerk's bank account. For example, if a \$75 check was received in payment, the Clerk would deposit the check, but withhold \$50 cash from other receipts. If an insufficient amount of cash was received that month, she would withdraw cash from her Clerk bank account. The undeposited cash was apparently retained by the Clerk for payment to the individual after the rental was complete, without any documentation of the transaction. Deposits should be made intact and disbursements should be made by check to properly account for this activity.

In addition, the Clerk did not deposit receipts timely. Generally, the Clerk deposited receipts at the end of the month. During our audit period, the Clerk made ten deposits totaling \$3,647. Of this amount, \$3,288 was statutorily required to be deposited within three business days as it had accumulated in excess of \$250; however, it was not. Further, of the ten months in our audit period, the Clerk remitted six of her monthly reports and payments to the Supervisor an average of nine days later than the 15th of the following month, as statutorily required.

Board Oversight

The Board is required to audit the Clerk's records (as Clerk and as tax collector) on an annual basis to provide assurance that moneys collected by her are handled properly. It is important to document which records were reviewed and the results of the audit to provide assurance that the Board is properly reviewing these records.

Although Town officials asserted that a review of the Clerk's records was performed in conjunction with their external accountant's compilation, there was no indication that an audit had been performed. The Board's audit should have included a review of records such as duplicate receipts, tax stubs, cashbooks, canceled checks, bank statements, reconciliations and monthly accountabilities. Moreover, the Clerk stated that no one had audited her records in 2012 or 2013.

⁶ The Clerk only issued receipts when using the State Department of Environmental Conservation (DEC) system where the license is the receipt of payment.

The Board did not audit the Clerk's records or engage an independent accountant to do so. Such an audit could have identified the deficiencies noted in our report. As a result, the Board and the taxpayers have limited assurance that the Clerk's records are accurate and complete, and there is an increased risk that moneys are not properly accounted for or that errors or irregularities could occur and go undetected.

Recommendations

1. The Clerk should:
 - Issue duplicate receipts, recording the form of payment, for all moneys received where no other form of receipt is available,
 - Deposit all collections in the bank in a timely and intact manner,
 - Timely remit by check all funds collected to the appropriate entities,
 - Ensure all duplicate payments are refunded to whom they are owed in a timely manner and
 - Contact the mortgage company and the individual who was issued the refund in error and properly refund the duplicate payment.
2. The Board should perform an adequate annual audit of the Clerk's records (Clerk and tax collector) and document the records reviewed and the results of the audit in the Board minutes.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF GREAT VALLEY
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June 11, 2013

Dan Brown
Town Supervisor

Hildagarde Krause
Supervisor's Clerk

Jack Harrington
Highway
Superintendent

Toni Evans
Town Clerk

Jeff Forster
Assessor

Rich Rinko
Code Enforcement

Ted LaCroix
Councilman

Lori Finch
Councilman

Gerry Musall
Councilman

Ann Rockwell
Councilman

Scott John
Town Justice

Peter Stokes
Town Justice

Debbie Stokes
Court Clerk

Eric Butler
Dog Control

Chris Schena
Planning Chairman

Tom Dineen
Water Operations

Jeffrey D. Mazula
Chief Examiner
NYS Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. Mazula,

This is in response to the Report of Examination during the exit discussion from May 19, 2014.

Cattaraugus County implemented a new tax collection program in January, 2013. The non-availability of qualified personnel within the County during key collections times created undue hardships when I had questions specific to the tax collection program. After the end of the collection period, the County Treasurer's office informed me of errors contained in the settlement, which, I assume, occurred because of a data entry error on my part, as the County Treasurer's Office did not claim responsibility, nor did they offer advice on how to avoid the problem in the future.

In closing, I agree with the audit report, as all findings are accurate. I am thankful for the completion of this audit, and consider the recommendations beneficial to my office.

Toni Evans, Town Clerk

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: the Justice Court, Town Clerk, tax collection, Supervisor's records and reports, claims processing, procurement, cash receipts and disbursements and payroll.

During the initial assessment, we interviewed appropriate Town officials, performed tests of transactions and reviewed pertinent documents, such as Town policies, Board minutes and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft, or professional misconduct. We then decided on the reported objective and scope by selecting for audit the area most at risk. Our objective was to review the Town Clerk/tax collector's process for recording and reporting cash receipts and determine if the Board provided sufficient oversight of the process. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following steps:

- We interviewed Town officials to gain an understanding of the procedures relating to the Clerk's management of cash receipts.
- We reviewed Board minutes for indications of annual Board audits.
- We performed a cash count and accountability as of October 24, 2013 to determine the amount of cash and checks on hand and the balance in the bank, in comparison with the cash receipt journal and payments due to other entities.
- We obtained compositions of all Clerk deposits during our audit period to assist in determining if deposits were made intact and in a timely manner.
- We compared deposits recorded per bank documentation with Clerk records to determine if all deposits were recorded in the cashbook.
- We compared daily tax collection reports with compositions of deposits to determine if deposits were made intact and in a timely manner.
- We compared the dates of the checks in the composition of deposits with daily reports to determine if penalties were properly imposed and collected.
- We performed a tax reconciliation for the 2013 cycle to determine if the Clerk properly remitted payments to the Supervisor and the County.

We conducted this performance audit in accordance with 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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