



Town of Blooming Grove

Board Oversight of Recreation Department Cash Receipts

Report of Examination

Period Covered:

January 1, 2013 — June 17, 2014

2014M-360



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2015

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 Blooming Grove, entitled Board Oversight of Recreation Department Cash 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 New York State 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 Blooming Grove (Town), located in Orange County, covers 35 square miles and has a population of approximately 18,000. The Town is governed by the Town Board (Board), which comprises five elected members, including the Town Supervisor (Supervisor) and four Board members. The Town provides various services to its residents, including sewer and water services, refuse collection, highway maintenance, snow removal, parks, public safety and general government support. These services are funded primarily with revenues from real property taxes and departmental income. The Town's general fund budget for the 2013 fiscal year was approximately \$3.9 million.

The Board is responsible for the general management and control of the Town, including the adoption of policies and procedures governing cash receipts. The Supervisor is the Town's chief fiscal officer, who maintains the Town's accounting records and is the custodian of the Town's cash assets. The Town's comptroller (comptroller) is responsible for ensuring that revenue information is recorded accurately.

The Town's Recreation Department (department) provides 16 recreation programs, such as day camps, basketball leagues, softball leagues, before- and after-school care, toddler programs and senior programs. The Recreation Director (Director), who reports to the Supervisor, oversees the department. Department revenues totaled \$404,635 during our audit period.

Objective

The objective of our audit was to examine the Town's internal controls over cash receipts received from recreational activities. Our audit addressed the following related question:

- Are Town officials adequately safeguarding cash receipts collected by the Recreation Department?

Scope and Methodology

We examined the Town's internal controls over cash receipts received from recreational activities for the period January 1, 2013 through June 17, 2014.

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 agreed with our findings 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 New York State 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.

Board Oversight of Cash Receipts

The Board should establish policies and procedures to provide guidance to the comptroller when entering cash receipts in the Town's financial system to help ensure that cash collections are recorded accurately and in a timely manner. This would provide reasonable assurance that employees who are responsible for handling and accounting for cash have the proper guidance for collecting and recording cash receipts. Town officials also should reconcile revenues collected for each department program with those recorded on a timely and regular basis. Any discrepancies identified should be immediately investigated and reported.

Internal controls over the department's cash receipts process are not appropriately designed or operating effectively. The Board has not adopted comprehensive written policies for departmental cash receipts or implemented procedures to provide guidance for employees when recording transactions to help ensure that the department's financial reports are accurate and reliable. As a result, the comptroller incorrectly recorded department revenues which results in the Board not having adequate information to make budget decisions for recreation programs.

The Board did not establish policies and procedures to ensure that the comptroller accurately recorded cash receipts. In addition, Town officials did not reconcile department collected revenues with those recorded on a timely and regular basis. Without the necessary guidance of policies and procedures, the comptroller's office made errors totaling \$2,836 when entering 2013 department revenues in the Town's accounting system. In addition, without the oversight of regular and timely reconciliations, these errors remained undetected and uncorrected.

The department collects funds for program activities and records the payments in its financial software. It then prints reports which contain detailed deposit information for each program and provides the reports to the comptroller's office along with a deposit slip and the funds collected. The comptroller's office uses a separate financial program to process deposit information and record transactions.

We reviewed 13 of the department's 16 programs that had revenues totaling \$45,566 in 2013¹ and compared the department's deposit report, deposit slips and bank statements to determine whether the

¹ Refer to Appendix B for further information on this sample selection.

department deposited all cash receipts intact² and found that deposits were accurate and complete. However, the comptroller's office made errors totaling \$2,836 when recording these deposits. Many of the amounts were entered incorrectly in programs and some were lumped together in the comptroller's financial system in other categories, which prevents the Board from having accurate identifying revenue totals for each program. For example, revenue collections for three separate department programs were lumped into "toddler programs" instead of being accurately entered in the individual programs. Similar errors were made in recording other program revenue.

These errors occurred because the Board did not establish policies relating to recording revenue, which resulted in the comptroller incorrectly entering cash receipts in the Town's financial system. As a result, the Board did not have accurate information for each program's revenues and, therefore, did not have adequate information to make budget decisions for these programs.

Recommendations

The Board should:

1. Ensure that the comptroller properly enters cash receipts into the financial system.
2. Adopt written policies and develop written procedures for department employees to follow when collecting, handling and recording cash receipts.

² In the same order and form (cash or check) in which they were received

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

Town of Blooming Grove

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Council Members

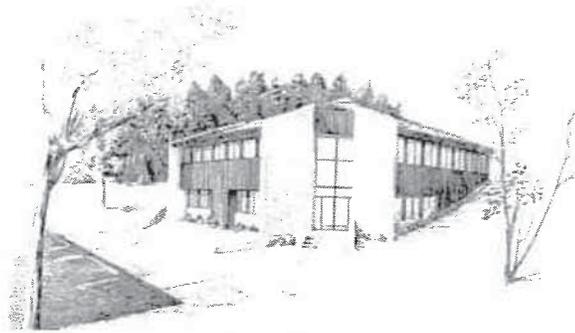
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Jeanne Ovensen
(845) 496-7011 ext. 725
FAX (845) 496-1945

March 16, 2015

Your audit required the town board to document a comprehensive internal control procedure for the handling all fees collected by the Recreation Department and entered into our financial system.

The Board has advised the comptroller to create separate line items for each of the programs in the recreation department so that fees will be recorded correctly for those programs. This has been implemented as of January 2015.

Attached is a copy of the town's comprehensive internal controls procedure for the handling of all fees collected by the recreation department. Consistent with your recommendations our internal controls procedure requires that a duplicate receipt be completed and one of the receipts be given to the payee for all cash payments, the other is retained for town's records.

Thank you for your assistance on this important matter.

Sincerely,

Robert A. Fromaget
Blooming Grove Town supervisor

CC: Town Board
CC: Marilyn Karlich, Comptroller

Response from Local Officials

Unit Name: Town of Blooming Grove

Audit Report Title: Board Oversight Over Recreation Cash Receipts

Audit Report Number: 2014M-360

Subject: Corrective Action Plan

Audit Recommendation:

1. Ensure that the comptroller properly enters cash receipts into the financial system.

We agree with this finding.

The comptroller's office has created separate lines for each recreation program so that that all revenue will be recorded correctly. This has been implemented as of January 1, 2015.

2. Adopt written policies and develop written procedures for department employees to follow when collecting, handling and recording cash receipts

We agree with this finding.

The Town Board has approved an internal controls procedure for all recreation revenue payments. We now require the following:

- a. Duplicate receipt must be given by the person collecting cash payments to any person paying a recreation fee. Regardless of whether it is for cash, checks or money orders. This procedure is based on the OSC's Internal Controls Procedures Guideline document and is attached to this communication for your information.
- b. See the attached Internal Controls Procedure Document approved by the board on March 17, 2015.

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. During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions and reviewed pertinent documents such as Town policies and procedures, 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 upon the reported objective and scope by selecting for audit those areas most at risk. We selected recreation center cash receipts for further audit testing. We performed the following procedures:

- We interviewed key personnel involved in the cash receipts cycle at the Recreation Department and Town, including the budget officer and clerk.
- We selected 13 of the department's 16 programs and reviewed and documented all revenue from deposits for each program from the department's deposit report. We compared deposit slips and bank statement totals to determine if they matched. We reviewed department financial reports and compared and reconciled them to the comptroller's revenue report. We reviewed the transaction report to verify whether the totals reported were correct and whether they were recorded in the correct accounts. We chose to review these 13 programs because the program revenue amounts that were entered through the department and the comptroller's office could be verified and reconciled to the comptroller's revenue reports.
- For the comptroller's and department's accounting records, we determined if revenues were properly and accurately recorded and deposited in a timely manner. We compared the cash receipts according to the bank statement to the composition of deposits according to the deposit slip detail and traced transactions from the deposit slips to the cash receipts journal and the computerized accounting records.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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