



Town of Petersburg

Internal Controls Over Selected Financial Operations and the Justice Court

Report of Examination

Period Covered:

January 1, 2013 — August 31, 2014

2015M-169



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 Petersburg, entitled Internal Controls Over Selected Financial Operations and the Justice Court. 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Petersburg (Town) is located in Rensselaer County and has a population of approximately 1,600. The Town is governed by an elected Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four council members. The Board is responsible for overseeing the Town's operations, finances and overall management. The Supervisor serves as both the chief financial officer and chief executive officer. A bookkeeper assists the Supervisor by maintaining the accounting records.

For the 2015 fiscal year, the Town's budgeted appropriations totaled \$891,816 for the general, highway and water funds. These appropriations were funded primarily by real property taxes, sales tax, user fees and State aid.

The Town does not have a centralized purchasing office and purchases are initiated by department heads. The Board and department heads are responsible for ensuring purchases are made in accordance with the Board's adopted procurement policies and applicable laws and regulations. The Town Clerk (Clerk) is responsible for the sale of transfer station tickets and permits and the recording of transfer station revenue. The Town's Justice Court is administered by two elected Justices who remitted approximately \$31,779 in fines, fees and surcharges to the Supervisor during our audit period to be distributed between New York State and the Town.

Scope and Objective

We examined the Town's internal controls over purchasing, the transfer station revenues processed by the Clerk's office and the Justice Court's operations for the period January 1, 2013 through August 31, 2014. We expanded our scope back to October 2012 to review the Town officials' use of credit cards and to January 2010 to review the inventory and sale of transfer station permits and tickets. In addition, we expanded our scope back to June 2003 to review the Justice Court's records. Our audit addressed the following related questions:

- Did the Board ensure that goods and services were procured in an economical manner?
- Did the Clerk properly account for the sale and inventory of transfer station tickets and permits?
- Did the Justices accurately and completely collect, record, deposit and report Court moneys in a timely manner?

Audit Results

The Board did not ensure that purchases were made in an economical manner. We reviewed 68 purchases totaling \$335,122 and found that aggregated purchases for heating oil and diesel fuel were not competitively bid as required by General Municipal Law. We also determined that Town officials could have saved more than \$5,300 (5 percent) during our audit period by using a county contract to make these purchases. Town officials also made 19 purchases totaling \$42,558 without obtaining the necessary quotes as required by the Town's purchasing policy. This occurred because the Board did not monitor and enforce compliance with statutory requirements and the Town's purchasing policy. Additionally, the Board did not review purchases made using Town credit cards. We reviewed all 46 credit card purchases made during our audit period totaling \$5,609 and found they generally were for appropriate Town purposes. However, if the Board does not improve its oversight and monitoring of the purchasing process, the Town is at risk of paying for purchases for non-Town purposes or paying more than necessary for goods and services.

The Clerk did not properly account for the sale and inventory of transfer station tickets and permits. The Town had two Clerks during our audit period: the former Clerk resigned in May 2014 and the current Clerk took office in the same month. We compared 2010 ticket sales to 2013 ticket sales and determined the number sold decreased by 4,193, or 47.6 percent. The difference in these tickets is valued at \$8,386. In 2014, the Clerks sold 7,921 transfer station tickets, which exceeded the 4,622 total tickets sold in 2013 by 71 percent. A similar pattern of decreases in the number of annual permits sold also occurred between 2011 through 2013, before a substantial increase occurred in 2014. We also found a shortage of 2,164 tickets with a value of \$4,328 between November 15, 2010 and August 31, 2014. Further, we reconciled the permits from April 1, 2014 through August 31, 2014 and found there were 24 permits, valued at \$360, that could not be accounted for. Because Town officials did not establish adequate procedures over the sale, inventory and accounting of tickets and permits, shortages occurred that were not detected.

We identified significant internal control weaknesses in the Court's financial operations. The Justices did not perform monthly accountabilities or bank reconciliations. We documented 35 discrepancies totaling \$3,811 when reviewing the Justices' fines and fees accounts. We also found that 27 deposits totaling \$4,156 were made as late as 31 days after receipt. Further, out of approximately 1,800 pending cases, 48 should have been closed and 14 could have been submitted to the New York State Department of Motor Vehicles' (DMV) Scofflaw Program¹ for non-payment. By not enforcing fine collections, the Town could be forfeiting revenues.

Comments of Local Officials

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 planned to initiate corrective action.

¹ DMV's Scofflaw Program allows local justice courts to notify the DMV when an individual has an unresolved (failure to pay the fine or failure to appear on the court date) traffic ticket for a 60-day period. When this occurs, the DMV notifies the individual and gives them 30 additional days to address the issue. If the individual has not taken action, then the DMV suspends the individual's license until they address the outstanding ticket.

Introduction

Background

The Town of Petersburg (Town) is located in Rensselaer County and has a population of approximately 1,600. The Town provides various services to its residents, including road maintenance, snow removal, fire protection, street lighting, water services and general governmental support.

The Town is governed by an elected Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four council members. The Board is responsible for overseeing the Town's operations, finances and overall management. The Supervisor serves as both the chief financial officer and chief executive officer. A bookkeeper assists the Supervisor by maintaining the accounting records. For the 2015 fiscal year, the Town's budgeted appropriations totaled \$891,816 for the general, highway and water funds. These appropriations were funded primarily by real property taxes, sales tax, user fees and State aid.

The Town does not have a centralized purchasing office and purchases are initiated by department heads. The Board and department heads are responsible for ensuring purchases are made in accordance with the Board's adopted procurement policies and applicable laws and regulations. The Town Clerk (Clerk) is responsible for the sale of transfer station tickets and permits and the recording of transfer station revenue. The Town's Justice Court (Court) is administered by two elected Justices, who remitted approximately \$31,779 in fines, fees and surcharges to the Supervisor during our audit period to be distributed between New York State and the Town.

Objective

The objective of our audit was to review various selected financial operations and the Justice Court. Our audit addressed the following related questions:

- Did the Board ensure that goods and services were procured in an economical manner?
- Did the Clerk properly account for the sale and inventory of transfer station tickets and permits?
- Did the Justices accurately and completely collect, record, deposit and report Court moneys in a timely manner?

**Scope and
Methodology**

We examined the Town’s controls over purchasing, transfer station operations and the Justice Court’s operations for the period January 1, 2013 through August 31, 2014. We expanded our scope back to October 2012 to review Town officials’ use of credit cards and to January 2010 to review the inventory and sale of transfer station permits and tickets. In addition, we also expanded our scope back to June 2003 to review the Justice Court’s records.

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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**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.

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.

Purchasing

General Municipal Law (GML) generally requires that purchase and public work contracts in excess of \$20,000 and \$35,000, respectively, during a fiscal year be publicly advertised for bids and awarded to the lowest responsible bidder. In lieu of advertising for bids, local governments may use certain contracts awarded by the New York State Office of General Services or other designated organizations.² GML also requires local governments to adopt written policies and procedures governing all procurements of goods and services not required by law to be competitively bid, including the dollar levels at which written and verbal quotes will be required and the documentation of actions taken. In addition, if the Town is going to use credit cards to make purchases, the Board should adopt a comprehensive credit card policy that specifically designates authorized users, purchase processes and the documentation required to support the purchases.

The Board did not ensure that goods and services were procured in an economical manner. We reviewed 68 purchases totaling \$335,122 and found that aggregated purchases for heating oil and diesel fuel were not competitively bid as required by GML. Had Town officials purchased this oil and fuel using a county contract, they could have saved more than \$5,300 (5 percent) during our audit period. Town officials also made 19 purchases totaling \$42,558 without obtaining the necessary verbal or written quotes as required by the Town's purchasing policy. This occurred because the Board did not monitor and enforce compliance with statutory requirements and the Town's purchasing policy. Additionally, the Board did not provide adequate oversight of the use of Town credit cards. As a result, the Town is at risk of paying for purchases for non-Town purposes or paying more than necessary for goods and services.

Purchasing – Prior to our fieldwork, the Board had not formally reviewed and updated the Town's purchasing policy. However, Town officials had written procedures in place to guide employees with the Town's purchasing processes. After we brought the Board's lack of an updated purchasing policy to its attention, it adopted these written procedures as part of the updated purchasing policy on February 24, 2014. The policy requires Town employees to obtain and document three quotes for purchases and public works contracts between \$1,000 and \$4,999 and for highway-related purchases and public

² As an alternative to soliciting competition, towns may "piggyback" on contracts that have been extended to local governments by certain other governments. Use of these contracts constitutes an exception to the competitive bidding requirements.

works contracts up to \$19,999. However, the policy does not state whether the quotes should be verbal or written. The policy requires competitive bidding for non-highway related purchases and public works contracts exceeding \$5,000 and for highway related purchases and public works contracts exceeding \$20,000.

We reviewed 68 purchases totaling \$335,122 made during our audit period to determine if they were made in accordance with GML's competitive bidding requirements or the Board-adopted policy when applicable. These purchases were each in excess of \$1,000; therefore, at a minimum, they required adherence to the Town's procurement policy.³ We found exceptions with 23 purchases, totaling \$144,998, as detailed below.

- Two purchases of heating oil, one for \$23,127 in 2014 and another for \$28,317 in 2013, were not competitively bid or purchased off of State or county contract. Had the Town purchased the heating oil off of the county's contract, it could have saved a total of \$1,426 (6 percent) in 2013 and \$1,720 (6 percent) in 2014.
- Two purchases of diesel fuel, one for \$35,677 in 2013 and another for \$15,319 in 2014, were not competitively bid or purchased off of State or county contract. Had the Town purchased the diesel fuel off of the county's contract, it could have saved a total of \$790 (2 percent) in 2013 and \$1,420 (9 percent) in 2014.
- Nineteen purchases totaling \$42,558, ranging between \$1,030 and \$7,805, were made without obtaining the necessary quotes as required by the Town's purchasing policy. These purchases consisted of drainage culverts, highway department truck tires, electrical contractor services and the installation of an electric door opener. We researched tire prices and determined that the Town could have saved \$150 (14.5 percent) for a set of four tires if it had purchased them from another vendor. We also researched culvert prices and determined that the Town paid a fair price for these purchases.

Town officials could not explain why they did not seek competition for these purchases.

Credit Cards – The Board adopted a credit card policy on May 21, 2012 and provided Town credit cards to the Supervisor and the

³ See Appendix B for more details on the methods we applied to select the purchases for review.

former Clerk.⁴ According to the policy, the authorized credit card users are required to obtain supporting documentation at the time of purchase. If the supporting documentation is not obtained or missing, the cardholder must submit a statement which details the date of purchase, the vendor's name and an explanation for why the supporting documentation is missing. In addition, each month, the Board must verify and approve each purchase listed on the monthly credit card statement.

The Board did not monitor credit card use and ensure that credit card purchases were for legitimate Town purposes. The Board did not reconcile the documentation for credit card purchases with the credit card statements to ensure documentation for all purchases was listed on the statements. The Board also did not adequately review the documentation to determine if the purchases were for legitimate Town purposes. We reviewed all 46 credit card purchases⁵ totaling \$5,609 to ensure that they were for appropriate Town purposes. Except for minor issues which we discussed with Town officials, we found these purchases were for appropriate Town purposes.

When purchases are made without complying with competitive bidding and the Town's procurement policy requirements, Town officials and taxpayers cannot be assured that goods and services are procured in the most prudent and economical manner. It is essential that the Board provides adequate oversight of the use of Town credit cards to prevent and detect unauthorized purchases.

Recommendations

The Board should:

1. Ensure that Town officials comply with GML's competitive bidding requirements and obtain oral and written competitive quotes when required by the Town's purchasing policy.
2. Modify its purchasing policy to clarify when oral or written quotes should be obtained.
3. Perform a thorough review of credit card purchases each month that includes a comparison between documentation provided for credit card purchases and the monthly credit card statements.

⁴ The former Clerk resigned in May 2014.

⁵ We reviewed all credit card purchases back to when the Town began using them in October 2012.

Transfer Station Revenue

The Clerk is responsible for collecting moneys for the sale of transfer station tickets and permits, accounting for and depositing the collections in a timely manner and remitting the collections to the Supervisor. In addition, the Clerk should reconcile the number of tickets purchased and sold and maintain a current inventory of all transfer station tickets and permits in stock. An accurate inventory is an effective tool to assist in accounting for the sales of tickets and permits. Furthermore, New York State Town Law requires the Board to complete an annual audit of the Clerk's records.

Permits and Tickets – The residents of the Towns of Petersburg and Berlin share a transfer station located in Berlin. Town residents are granted access to the transfer station when they purchase a \$15 permit. The permits are effective for one year, from May 1 through April 30. Town residents are allowed to dispose of one bag of trash for each \$2 ticket purchased. The Town had two Clerks during our audit period: the former Clerk resigned in May 2014 and the current Clerk took office the same month. From January 1, 2010 through December 31, 2014, the current and former Clerks collected and recorded \$91,312 in revenue for the sale of 1,322 permits and 35,741 tickets.

Town officials have not established adequate procedures over the sale, inventory and accounting of the transfer station tickets and permits. The Town does not have written procedures that require the periodic reconciliation of tickets purchased to tickets sold, and neither Clerk maintained an accurate inventory of tickets.

We analyzed tickets and permits sold from fiscal years 2010 through 2014. We identified a significant decline in the number of tickets sold from 2010 through 2013 before the number increased in 2014, as indicated in Figure 1. When comparing 2010 ticket sales to 2013 ticket sales, the number sold decreased by 4,193, or 47.6 percent. The difference in these tickets is valued at \$8,386. In 2014, the Clerks sold 7,921 transfer station tickets; this exceeded the 4,622 total tickets sold in 2013 by 71 percent. A similar pattern of decreases in the number of annual permits sold also occurred between 2011 through 2013, before a substantial increase occurred in 2014.

Figure 1: Number of Transfer Station Tickets and Permits Sold Per Year

	2010	2011	2012	2013	2014
Total Tickets Sold	8,815	7,763	6,620	4,622	7921
Variance From Previous Year	N/A	(11.9%)	(14.7%)	(30.2%)	71.4%
Total Permits Sold	263	267	242	234	316
Variance From Previous Year	N/A	1.5%	(9.4%)	(3.3%)	35%

Town officials could not explain why the number of tickets and permit sales decreased for an extended period of time before rebounding in 2014.

The Clerk purchases tickets from an outside supply vendor to replenish the ticket inventory. Neither the former nor current Clerk counted the tickets purchased to ensure they received the same number of tickets ordered from the vendor, and they did not reconcile the total tickets on hand with the number of tickets purchased and sold. We performed a count of tickets on hand as of August 31, 2014 and compared it to the difference between total tickets purchased and sold between November 15, 2010⁶ and August 31, 2014 per the Town's records. We found a shortage of 2,164 tickets with a value of \$4,328.

The permits, which grant residents access to the transfer station for an annual period between May 1 and April 30, are provided to the Clerk by the Town of Berlin. Upon receiving permits for a new year, the former Clerk disposed the unsold permits for the prior year without first counting them or reconciling the number of permits provided by Berlin to the number of permits sold and remaining on hand. We reconciled the permits from April 1, 2014 through August 31, 2014⁷ and found there were 24 permits valued at \$360 that could not be accounted for. We were not able to reconcile permits for the prior years because the former Clerk did not maintain any documentation to account for the disposition of the ending permits inventory.

Because Town officials did not establish adequate procedures over the sale, inventory and accounting of tickets and permits, shortages occurred that were not detected.

Board Audit – Town Law requires the Board to conduct or obtain an annual audit of the records and reports of any Town officer or

⁶ There was no inventory of tickets as of November 15, 2010, which was the first date of tickets purchased during our audit period. If there were any tickets on hand as of November 15, 2010, there would have been a greater number of tickets that were not accounted for as of August 31, 2014.

⁷ The Town started to sell the permits for the period May 1, 2014 through April 30, 2015 in April 2014.

employee who received or disbursed moneys on behalf of the Town in the preceding year. The purpose of this annual accounting is to provide assurance that public moneys are handled properly (i.e., deposited in a timely manner, accurately recorded and accounted for), to identify conditions that need improvement and to provide oversight of the Town's financial operations. The Board did not perform an annual audit of the Clerk's records during our audit period. The Board's failure to examine the Clerk's records diminishes its ability to sufficiently monitor the Clerk's financial operations and ensure revenues from permit and ticket sales are adequately accounted for.

Recommendations

4. The Clerk should periodically reconcile the number of tickets purchased and permits provided from the Town of Berlin to the number of tickets and permits sold and on hand. Any discrepancies should be investigated and resolved in a timely manner.
5. The Board should perform an annual audit of the Clerk's records to ensure the sales of permits and tickets are adequately accounted for. The audit should also include a review of the Clerk's reconciliations for permits and tickets purchased, sold and on hand.

Justice Court

A well-designed system of internal controls is necessary to ensure that cash received by the Court is safeguarded and that Court activity is properly recorded and reported. Justices are responsible for adjudicating cases brought before them and for the accounting and reporting of all related Court financial activities. New York Codes, Rules and Regulations require the Justices to maintain complete, accurate and timely accounting records, reconcile bank accounts with recorded cash activity, maintain separate bank accounts, deposit moneys in a timely manner, and report Court activity to the Justice Court Fund (JCF) accurately and in a timely manner. Finally, each Justice is required to maintain an official bank account in his or her name to account for the collection and disbursement of Court moneys.

We identified significant internal control weaknesses in the Court's financial operations. The Justices did not perform monthly accountabilities or bank reconciliations. We reviewed the Justices' fines/fees accounts and bail accounts and documented 35 discrepancies totaling \$3,811. We also found that 27 deposits totaling \$4,156 were not made in a timely manner. These weaknesses increase the risk that Court funds could be lost or misappropriated without detection. Further, out of approximately 1,800 pending cases, 48 should have been closed and 14 could have been submitted to the New York State Department of Motor Vehicles (DMV) Scofflaw Program⁸ for non-payment. By not enforcing fine collections, the Town could be forfeiting revenues.

Monthly Accountabilities

Each month, the Justices should verify the accuracy of their financial records and reconcile their bank accounts. In addition, on a monthly basis, the amount of cash on hand and on deposit in the bank should be compared to detailed lists of amounts due to the JCF and other outstanding liabilities such as pending bail. This comparison is referred to as an accountability analysis. An accountability analysis serves to document the status of moneys held by the Court and provides a means of demonstrating that the Court is properly addressing its custodial responsibilities.

⁸ The DMV Scofflaw Program allows local justice courts to notify the DMV when an individual has an unresolved (failure to pay the fine or failure to appear on the court date) traffic ticket for a 60-day period. When this occurs, the DMV notifies the individual and gives them 30 additional days to address the issue. If the individual has not taken action, then the DMV suspends the individual's license until they address the outstanding ticket.

The Justices were not performing monthly accountabilities to verify the status of money held by the Court and were not completing monthly bank account reconciliations. We performed accountabilities for the three Justices who served during our audit period⁹ as of August 31, 2014 and found Justice Manchester had \$320 more in her fine/fees bank account than what she was accountable for and Justice Snyder had \$265 more in his fine/fees account than what he was accountable for. We reviewed the Justices' records and reports to determine the causes of the variances and identified 35 discrepancies totaling \$3,811 resulting from various clerical and accounting errors. For example, we identified the following errors:

- There were two collections by Justice Manchester totaling \$210 and one collection by Justice Montgomery totaling \$150 which were neither deposited nor recorded and were not remitted to the Supervisor.
- There were two collections by Justice Manchester totaling \$318 and two collections by Justice Snyder totaling \$150 that were deposited but not remitted to the Supervisor or reported to the JCF.
- There was one collection for \$170 by Justice Manchester that was deposited but not remitted to the Supervisor. However, it was reported to the JCF.

By not performing bank reconciliations and monthly accountabilities, the Justices are not ensuring their moneys on hand equal their liabilities, and they are not identifying, investigating and correcting any discrepancies on a timely basis.

Pending Case Files

For each case brought before the Court, the Justices must maintain a separate case file. The status of each case (e.g., awaiting the defendant's first appearance, fines assessed and due, etc.) as reflected in the individual case files should agree with the case status reflected in the Court's software system. Furthermore, Justices are responsible for enforcing traffic tickets to ensure that laws are enforced and revenues are collected as efficiently and effectively as possible. To meet this responsibility, the Justices may use DMV's Scofflaw Program to enforce the payment of fines for individuals who either have not appeared in Court to resolve their tickets or have not paid their fines.

⁹ Justice Montgomery served January 1, 2010 through December 31, 2013, Justice Manchester's term is January 1, 2012 through December 31, 2015 and Justice Snyder's term is January 1, 2014 through December 31, 2017.

The Justice Court's pending case report as of July 29, 2014 indicated there were 1,873 pending cases; 1,208 cases originated more than 11 years ago. We reviewed 98 randomly selected pending cases and found that 48 cases should have been closed based on the information in the case files. For example, the fine for one case was paid, remitted to the Supervisor and reported to the JCF. However, the case was not closed out in the system. In addition, there were 14 cases with a total unpaid balance of \$1,963 that could have been referred to DMV's Scofflaw Program due to the defendants' failure to pay their fines or lack of appearance in Court to resolve their tickets. However, the Justices did not do so.

Because the Justices do not routinely and effectively monitor the unresolved traffic tickets with the DMV, all Court fines and fees may not be collected in a timely manner. This could result in lost revenues to the Town.

Timeliness of Deposits

New York Codes, Rules and Regulations require Court personnel to deposit all collections into the Justices' bank accounts as soon as possible, but no later than 72 hours after receipt, exclusive of Sundays and holidays. Deposits also must be intact.¹⁰

The Justice Court Clerk did not always make deposits in a timely manner. We reviewed 108 collections totaling \$15,684¹¹ and found that 27 collections totaling \$4,156 were deposited between two and 31 days late. For example \$155 was collected on November 26, 2013 but not deposited until January 9, 2014, 31 days after the time of collection. Another collection for \$168 was received on March 14, 2014 but not deposited until March 26, 2014, 10 days after the time of collection. The Justice stated that deposits were made as soon as the Justice Court Clerk could make it to the bank and there were instances when she could not get to the bank in a reasonable amount of time. We reviewed the deposits for intactness and found only one minor exception that we discussed with Town officials.

When Court receipts are not deposited in a timely manner, the risk is increased that moneys collected could be lost or stolen. The Justices and the Supervisor told us that the Justices submitted their records to the Board for an annual audit. However, Town officials did not generate a report of such an audit and there was no indication in the Board minutes that the Board actually conducted an audit of their records. Conducting a proper audit of the Justices' records would have helped the Board to detect these deficiencies.

¹⁰ In the same form (cash or check) as collected

¹¹ See Appendix B, Audit Methodology and Standards, for details on our sample selection.

Recommendations

The Justices should:

6. Reconcile all of their bank accounts on a monthly basis.
7. Ensure that month-end accountabilities are being performed on all of their records.
8. Review and analyze pending cases and take the necessary actions as required.
9. Ensure that deposits are made no later than 72 hours from the date of receipt.

The Board should:

10. Conduct an annual audit of the Justices' financial records and record the results of this audit in the minutes.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



TOWN OF PETERSBURGH

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December 11, 2015

██████████
Division of Local Government and School Accountability
Glens Falls Regional Office

RE: Preliminary Report of Examination of the Town of Petersburgh and the Justice Court

Dear ██████████

- With reference to the purchase of fuel, after one year in office I was made aware of this and it was corrected and the Town is buying piggy-back with the County contract.
- With reference to credit cards, after the Supervisor was made aware of paying late charges due to the Board approving all the bills after their due date. I made an arrangement with the credit card company to change the due date, which is now in compliance.
- With reference to the 19 purchases without the necessary quotes, as it was pointed out by the auditor after consulting with the Town Clerk and the Supervisor, that proper explanations and notes were not attached to the purchasing and service performed records for the Town without competitive quotes as it may have been emergency repairs or work performed for which we requested competitive quotes but did not receive any.
- With regard to the Board not reviewing purchases made using the Town credit card, the Town Board has improved its oversight of the purchasing process, especially credit card purchases.
- With reference to Transfer Station tickets and permits sold, we agreed that there was a lack of proper oversight and record-keeping which, at the advice of the auditors, has been corrected and properly implemented.
- With reference to the Court, I believe that the justices have been made aware of the deficiency at their meeting with the auditors and are correcting their handling of the Court cases and recordings.

Sincerely,

Siegfried Krahforst
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We examined the Town's internal controls over purchasing, the transfer station revenues processed by the Town Clerk's office and the Justice Court's operations for the period January 1, 2013 through August 31, 2014. We expanded our scope back to October 2012 to review the Town officials' use of credit cards and to January 2010 to review the inventory and sale of transfer station permits and tickets. In addition, we expanded our scope back to June 2003 to review the Justice Court's records.

To accomplish our audit objective and to obtain valid audit evidence, our audit procedures for purchasing included the following:

- We interviewed Town officials and employees to obtain an understanding of internal controls over the procurement process.
- We selected purchases by first sorting the Town's vendor history and excluding all purchases under \$1,000 and utility payments and payroll, to which the Town's purchasing policy does not apply. We sorted the entire population by dollar amount to test adherence to the purchasing policy and GML requirements. We selected all purchases that exceeded \$1,000.
- We tested all non-highway purchases between \$1,000 and \$4,999 to determine whether Town officials obtained and documented quotes from three vendors as required by the Board's purchasing policy.
- We tested all highway purchases between \$1,000 and \$19,999 to determine whether Town officials obtained written quotes from three vendors in accordance with the purchasing policy.
- We tested all non-highway related purchases and public works contracts over \$5,000 and all highway related purchases and public works contracts over \$19,999 to determine whether they were subject to competitive bidding requirements, per the Town's policy, and were bid. If the purchase was not bid, we determined whether it was purchased under a valid State or county contract or an emergency situation. We also determined whether the solicitation of competitive bids was properly published.
- We interviewed Town officials and employees to obtain an understanding of controls over the credit card purchases.
- We reviewed all purchases on the Supervisor's and former Clerk's credit card statements from October 1, 2012 through August 31, 2014 to determine any unauthorized purchases and purchases that were not for proper business purposes. We also documented late fees and finance charges.

Our audit procedures for transfer station revenues included the following:

- We interviewed all Town officials and employees to obtain an understanding of the controls over the transfer station revenue.
- We performed a physical count of transfer station permits on September 2, 2014, which represented the ending inventory count as of August 31, 2014. We calculated total sales of these permits, subtracted the sales from the beginning inventory and compared the result with the ending inventory to determine if there were unaccounted permits.
- We performed a bank reconciliation for the month of July 2014 and traced deposit tickets and deposit slips to bank statements and accounting records.
- We performed an inventory count of the transfer station tickets on September 2, 2014, which was the ending inventory as of August 31, 2014. We then made a timeline with a running total of all tickets present effective November 15, 2010, which was the day after the first purchase of transfer station tickets from the vendor, assuming that there was no beginning inventory of transfer station tickets. We then calculated the unaccounted tickets as of August 31, 2014 by subtracting the ending inventory as of August 31, 2014 from the running total of present tickets.

Our audit procedures for the Justice Court included the following:

- We interviewed the current Justices and Justice Court Clerk to obtain an understanding of the controls over the process for maintaining case records, including case files and records of financial activity.
- For all Justices that served during our audit period, we reviewed cash receipts collected for fines and fees. We determined whether they agreed with the deposits made to the Justices' bank accounts and to the month-end accountability reports to the JCF. We also verified the check amounts of funds collected that were provided to the Town Supervisor.
- We compared all cash receipts from the physical cash receipt booklet to the computerized accounting records to the duplicate deposit slips and bank statements to determine whether deposits were made intact and in a timely manner. We tested the first six months of 2014 for Justice Snyder and Justice Manchester and the last six months of 2013 for Justice Montgomery, who left the bench on December 31, 2013.
- We compared the pending case report generated from the records to the actual case file to determine if files should have been closed or referred to DMV's Scofflaw Program.

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.

APPENDIX C

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