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January 22, 2010

Mr. Ernest Guerin, Mayor  
Members of the Board of Trustees  
4304 Main Street  
Port Henry, NY 12974

Report Number: 2007M-224-F

Dear Mayor Guerin and Members of the Board of Trustees:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage municipalities to reduce costs, improve service delivery and to account for and protect their local government's assets. In accordance with these goals, we conducted an audit of the Village of Port Henry (Village) to assess the financial operations of the Village. As a result of our audit, we issued a report, dated October 2007, that identified certain conditions and opportunities for Village management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Village of Port Henry on November 12, 2009, to review the Village's progress in implementing our recommendations. Our follow-up review was limited to interviews with Village personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Village has made considerable progress with regard to its corrective action plan. Of the 11 audit recommendations included in the original report, nine recommendations were fully implemented and two recommendations were partially implemented.

### **Recommendation 1 – Reimbursement**

The Village Board (Board) should seek reimbursement for the \$152,864 in missing moneys from the Clerk-Treasurer.

Status of Corrective Action: Fully implemented

Observations/Findings: On March 10, 2008, the Village recovered from the former Clerk-Treasurer the entire \$152,864 we identified as missing.

### **Recommendation 2 – Internal Controls Plan**

The Board should prepare a plan for structuring duties to increase controls over funds, including providing effective Board oversight of the Village's financial operations.

Status of Corrective Action: Fully implemented

Observations/Findings: The Board has prepared and implemented a plan for structuring duties to increase controls over funds. The plan specifically defines the duties within the Village Office as a result of the Board separating the positions of Clerk and Treasurer.

### **Recommendation 3 – Review and Revise Internal Controls**

Village officials should periodically review and revise as necessary the internal controls related to collecting and processing Village funds so as to ensure that collections are deposited intact and in a timely manner and accurately accounted for.

Status of Corrective Action: Partially implemented

Observations/Findings: In 2007, the Board implemented new procedures to improve the internal controls over the collection and processing of Village funds to ensure that collections are deposited intact and in a timely manner and accurately accounted for. However, we did not find any evidence that internal controls over the collection and processing of Village funds had been reviewed or revised since the initial implementation. The Village should ensure that the corrective action plan continues to be addressed and executed.

### **Recommendation 4 – Board Oversight**

The Mayor and the Board should exercise adequate oversight of the financial activities performed by the Clerk and the Treasurer, including requiring monthly budget status reports, trial balances, and accounts receivable reconciliation reports.

Status of Corrective Action: Fully implemented

Observations/Findings: We found the Board received monthly budget status reports and trial balances for each fund for the period June 2008 through September 2009. The Village Treasurer (Treasurer) also provided the Board with monthly reports that summarize revenues, expenditures, and significant financial items. Finally, the Board began receiving accounts receivable reconciliation reports for the water and sewer billings in September 2009.

### **Recommendation 5 – Segregation of Duties**

The Board should evaluate and, where practical, assign the duties and responsibilities in the Village Office to provide a proper segregation of duties. Where it is not practicable to segregate certain duties, the Board should establish sufficient compensating controls such as increased managerial oversight.

Status of Corrective Action: Fully implemented

Observations/Findings: We found the Board has segregated duties by separating the positions of Clerk and Treasurer. In addition, the Board receives and reviews monthly budget status reports, trial balances, and accounts receivable reports. Finally, the Treasurer provides the Board with a monthly report summarizing revenues and expenditures.

### **Recommendation 6 – Bank Deposits**

The Board should require and the Treasurer should ensure that bank deposits are made daily and intact.

Status of Corrective Action: Fully implemented

Observations/Findings: We found the Village is making bank deposits in a timely manner and that the deposits are intact. For the period May 1, 2009, to September 30, 2009, we reviewed 10 deposits totaling \$122,371 and found that all 10 deposits were deposited intact and in a timely manner.

### **Recommendation 7 – Bank Reconciliations**

The Board should require that monthly bank reconciliations be reviewed by someone who is independent of the cash receipt process.

Status of Corrective Action: Fully implemented

Observations/Findings: We found the Village implemented procedures where bank reconciliations are reviewed on a monthly basis by a qualified Village Trustee. We found that for the period April 2009 to September 2009, bank reconciliations were prepared in a timely manner and correctly by the Treasurer and properly reviewed by the Trustee.

### **Recommendation 8 – Board Approval for Water and Sewer Billing**

The Board should approve the semi-annual water and sewer billings and any subsequent adjustments to customer accounts.

Status of Corrective Action: Partially implemented

Observations/Findings: We found that the Board approved the semi-annual water and sewer billings, as verified in the minutes of the Board's proceedings, from May 2008 to November 2009. The Village has established and follows procedures to approve or deny adjustments brought forth by water or sewer customers. However, we found that the Treasurer has the capability to make adjustments to customers' accounts without the review or approval of the Board. We found that 36 adjustments had been made during 2009 without Board approval. However, we reviewed each adjustment and determined that they were reasonable. The Village should ensure that the corrective action plan continues to be addressed and executed.

### **Recommendation 9 – Record Retention**

The Treasurer should maintain a record of all billings.

Status of Corrective Action: Fully implemented

Observations/Findings: We found that the Treasurer adequately maintains and retains records of all billings. We reviewed billing records from May 2008 to November 2009 and found that all billing records were properly maintained.

### **Recommendation 10 – Campsite Manager**

The campsite manager should submit monthly activity reports to the Board, and receive receipts for all money turned over to the Treasurer.

Status of Corrective Action: Fully implemented

Observations/Findings: We found that the campsite manager submitted monthly activity reports to the Board for the 2008 and the 2009 camping seasons. The monthly activity report contained the revenues collected, year-to-date activity, and the previous year's year-to-date activity for comparison. We also found that the campsite manager received receipts for all 42 collections, totaling \$43,852, that he submitted to the Village for the 2009 camping season.

### **Recommendation 11 – Village Employee Bond**

The Board should ensure that the Village's bonding levels are sufficient to adequately protect Village assets.

Status of Corrective Action: Fully implemented

Observations/Findings: We found that the Village's bonding levels are sufficient to adequately protect Village assets.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Karl Smoczynski, Chief Examiner of our Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Steven J. Hancox  
Deputy Comptroller  
Office of the State Comptroller  
Division of Local Government  
and School Accountability