



# Village of Wappingers Falls

## Selected Financial Activities

### Report of Examination

Period Covered:

June 1, 2010 — April 30, 2012

2012M-115



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

November 2012

Dear Village 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 Village 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 Village of Wappingers Falls, entitled Selected Financial Activities. 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*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Village of Wappingers Falls (Village) is located in the Towns of Wappingers and Poughkeepsie in Dutchess County and serves approximately 5,500 residents. The Village provides various services to its residents, including street maintenance, snow removal, street lighting, and general government support. The Village also provides refuse, water, and sewer services that are financed by user fees.

The Board of Trustees (Board) is the legislative body responsible for managing Village operations. The Mayor, who is a member of the Board, serves as the Village's chief executive officer. The Village Treasurer (Treasurer) is the chief fiscal officer and is responsible for the receipt, disbursement, and custody of Village moneys in addition to the maintenance of accounting records.

The Village's total budgeted appropriations for the 2010-11 and 2011-12 fiscal years were approximately \$4.3 and \$4.5 million, respectively, funded primarily with real property taxes. Most of the expenditures are accounted for in the general fund.

### **Scope and Objective**

The objective of our audit was to examine the Village's internal controls over selected financial activities for the period June 1, 2010 through April 30, 2012. Our audit addressed the following related questions:

- Did the Board and Village officials provide proper oversight of the cash receipts function?
- Did the Board properly audit claims to ensure that Village funds were properly expended?
- Did the Board ensure that the Village's information technology (IT) systems were adequately secured and protected against unauthorized access and loss?

### **Audit Results**

The Board failed to provide proper oversight of the cash receipts function. As a result, incompatible duties within the cash receipt operations were not properly segregated and effective compensating controls were not established. We also found that planning and zoning fees and escrow moneys were not deposited timely. Our analysis showed that 98 percent of planning and zoning fees, totaling \$68,177, and 21 percent of escrow moneys, totaling \$25,500, were deposited on average 31 days and 14 days after receipt, respectively. We found eight receipts, including \$725 in checks and \$110 in cash, stapled to the bank reconciliation for August 2010 and not deposited into the Village's account. As of

June 13, 2012, the end of our fieldwork, the cash had not been deposited into the Village bank account, even after we brought it to the Village officials' attention. In addition, staff at the Planning and Zoning Department did not always issue receipts in sequential order and did not always use formal, preprinted receipts. As a result, there is limited assurance that all cash receipts were accounted for.

The Board also did not establish an effective claims audit process. Claims with \$168 in sales tax and \$1,143 in late charges, along with 89 claims totaling \$196,868 that had no department head approvals were included in warrants which had been approved for payment. The Board has not established policies and guidelines for the use of credit cards and payment of those claims. Only 43 percent of credit card claims tested were supported by detailed receipts. When claims are not properly audited, there is an increased risk of making inappropriate and incorrect payments to vendors.

The Board did not adopt guidance for assessing the IT system for vulnerabilities, disaster recovery or acceptable use. Backup data is stored onsite and vulnerable to loss if a disaster should occur at the Village Hall. As a result, there is an increased risk that Village data, hardware and software systems may be lost or damaged by unauthorized access and use.

### **Comments of Local Officials**

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to take corrective action.

# Introduction

## Background

The Village of Wappingers Falls (Village) is located in the Towns of Wappingers and Poughkeepsie in Dutchess County, serves approximately 5,500 residents, and encompasses approximately one square mile. The Village provides various services to its residents, including street maintenance, snow removal, street lighting, and general government support. These services are financed primarily with real property taxes. In addition, the Village provides refuse, water, and sewer services that are financed by user fees.

The Board of Trustees (Board) is the legislative body responsible for managing Village operations. The Mayor, who is a member of the Board, serves as the Village's chief executive officer. The Village Treasurer (Treasurer) is the chief financial officer and is responsible for the receipt, disbursement, and custody of Village moneys in addition to the maintenance of accounting records.

The Village's budgeted appropriations for fiscal years 2010-11 and 2011-12 were approximately \$4.3 million and \$4.5 million, respectively. During our audit period water rents were \$2.2 million, sewer rents were \$1.4 million and refuse collection fees were \$947,000.

## Objective

The objective of our audit was to examine the Village's internal controls over selected financial activities. Our audit addressed the following related questions:

- Did the Board and Village officials provide proper oversight of the cash receipts function?
- Did the Board properly audit claims to ensure that Village funds were properly expended?
- Did the Board ensure that the Village's information technology (IT) systems were adequately secured and protected against unauthorized access and loss?

## Scope and Methodology

We examined the Village's cash receipt, claims processing and information technology practices for the period June 1, 2010 through April 30, 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 Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to 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 Village Board to make this plan available for public review in the Village Clerk's office.

## Cash Receipts

The Board is responsible for overseeing the Village's overall fiscal affairs and safeguarding its resources. This responsibility includes establishing internal controls over the collection of water and sewer rents, planning and zoning fees, and refuse fees to provide reasonable assurance that cash and other resources are properly safeguarded. It is important that the Board adopt policies and Village officials implement procedures for the collection, verification, and deposit of cash receipts. Policies and procedures should require the segregation of employees' duties so that no individual controls most or all phases of a transaction. When circumstances do not permit an adequate segregation of duties, the Board must establish compensating controls, such as management oversight. Internal controls should also require the issuance of duplicate, sequentially numbered receipts by Village employees who are authorized to receive cash payments. In addition, Village Law requires all moneys received to be deposited within 10 days of receipt.

The Board and Village officials did not exercise proper oversight over cash receipts from water and sewer rents, planning and zoning fees and refuse fees. The Board and Village officials did not establish comprehensive written policies and procedures that provide adequate guidance and internal controls over the cash receipt function. Duties are not adequately segregated and Village officials did not provide adequate compensating controls to mitigate this weakness. Receipts were not always issued in sequential order and a second generic set of receipts was also issued, limiting assurance that all receipts were accounted for. Finally, the Board did not ensure that all cash collections were deposited in a timely manner.

### **Segregation of Duties**

It is important that one person does not have the ability to authorize, execute, and record a transaction or control the entire cash receipt function. Proper segregation of duties helps in the prevention and detection of errors or irregularities in a timely manner. If it is not practical to segregate cash receipt duties, the Board must implement compensating controls, such as increased oversight by Village officials, to reduce the risk of errors or irregularities.

The Board has not established policies and Village officials have not implemented procedures to adequately segregate cash receipt responsibilities. The Board also has not established compensating controls to mitigate risks associated with the lack of segregation of duties. We reviewed the procedures for the collection of departmental

fees<sup>1</sup> and found that the same employee bills for services, collects the fees, issues receipts, records all of the transactions, and prepares the bank deposits with no oversight by Village officials.

The lack of segregation of incompatible duties combined with no oversight by Village officials makes the Village vulnerable to the possibility of loss, errors or irregularities. For example, an employee receiving departmental fees could collect the fee, not deposit it into the Village's bank account and either adjust the individual's account (water, sewer or refuse) or not record the receipt (planning and zoning) to prevent Village officials from detecting the unrecorded collection. We tested three months of water and sewer receipts totaling \$534,000 and did not find any untimely deposits or irregularities. Without oversight by Village officials, the Village is vulnerable to the possibility of loss, errors or irregularities occurring and going undetected.

## Receipt Issuance

A good system of internal controls over cash receipts requires the issuance of duplicate, sequentially numbered receipts by Village employees who are authorized to receive cash payments. Duplicate sequentially numbered receipts that indicate the payee name, purpose and form of payment received, document individual collections and helps ensure all funds are properly accounted for.

The Board has not established policies and Village officials have not implemented procedures for the issuance of receipts for Village Planning and Zoning Department (Department) fees<sup>2</sup> or refuse fees. We also found that receipts are not issued in sequential order. The Planning Board secretary stated that she takes a handful of receipts out of the box they are stored in, not noticing whether or not she used the next numbered ones in the box. When she is not available, the building inspector issues receipts but not always in sequential order. We traced 498 receipts for planning and zoning fees to supporting records and were not able to locate seven receipts.

We also found three generic press-numbered receipts that were not in the same format as the formal pre-printed receipts that were issued during our audit period. These generic press-numbered receipts were issued for \$225. The secretary explained that she had run out of the formal pre-printed receipts and used the generic receipts until new pre-printed ones became available.

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<sup>1</sup> We examined the departmental fees for the Planning and Zoning Department, refuse collection and the Water and Sewer Department.

<sup>2</sup> The Department collects fees for building permits, zoning permits, sign permits, and garage/yard sale permits and collects escrow moneys remitted as part of building compliance requirements.

The use of duplicate, sequential numbered receipts provides documentation of individual collections and allows officials to trace a financial transaction from its inception through the accounting records. By using receipts out of sequential order and using a different set of receipts, it is difficult for Village officials to reconcile daily cash collections and ensure that all moneys collected are properly remitted.

## Deposits

Village Law requires that all moneys received be deposited within 10 days of receipt. However, moneys received by the Village are not consistently deposited within that timeframe. The Village received approximately \$70,000 in planning and zoning fees, \$80,000 in escrow moneys and approximately \$947,000 in refuse fees during our audit period. The planning board secretary generally remits planning and zoning fees to the Treasurer for deposit once a month and remits the escrow money more frequently. The staff assistant does not always remit refuse fees to the Treasurer within 10 days. Due to the infrequency and inconsistency in remittance of moneys to the Treasurer for deposit, we tested 1,581 refuse collection receipts<sup>3</sup> and all Department receipts received during our audit period, comprised of 498 planning and zoning receipts, 475 permit and garage sale receipts, and 23 escrow receipts. We found:

- Ninety-eight percent of planning and zoning fees, totaling \$68,177 were deposited an average of 31 days after receipt or 21 days late.
- Twenty-one percent of the escrow moneys, totaling \$25,500 were deposited an average of 14 days after receipt.
- Eight receipts totaling \$835, six uncashed checks and \$110 in cash had not been deposited as of the end of our fieldwork, June 13, 2012. The uncashed checks and cash were stapled to the bank reconciliation for the month of August 2010 and stored in a box in the basement of Village Hall. Village officials were unable to explain why checks and cash were stapled to the filed documents.
- Six percent of refuse fees, totaling \$5,362 were deposited an average of 13 days after receipt or three days late.

The planning board secretary stated that she was not aware that moneys were required to be deposited within 10 days. The staff assistant stated that she tried to make the deposits as soon as possible after receipt but other duties sometimes prevented her from getting

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<sup>3</sup> We tested three months of refuse collection receipts: 1,581 receipts out of 8,446 received during our audit period.

them prepared within the 10 days. The Board's failure to establish written policies over the cash receipts function and the Treasurer's failure to properly monitor the receipt of Village fees and remittances leaves the Village vulnerable to loss, theft or errors occurring and going undetected.

## **Recommendations**

1. The Board should adopt written policies and procedures to provide guidance on the cash receipt function.
2. The Board or Village officials should segregate incompatible duties in the cash receipt function and/or oversee the function to mitigate any weaknesses in the segregation of incompatible duties.
3. The Board should institute a system that ensures receipt numbers are used sequentially and all receipts are accounted for.
4. The Treasurer should ensure that all fees collected are deposited within 10 days of receipt.

## Claims Processing

The Board is responsible for auditing and approving all claims prior to payment and must ensure that the claims audit process includes a review of claims and supporting documentation for accuracy, sufficiency of documentation, and validity of expenditures before being approved for payment. With few exceptions, claims must be approved by the Board prior to payment. The Board must also establish policies and guidelines for the use of credit cards and the payment of those claims.

The Board has not established an effective claims audit process. The Board as a whole does not audit the claims against the Village. Instead, two of the seven Board members approve the monthly warrant for payment. There is no indication that the two Board members have reviewed the individual claims. Claims with \$168 in sales tax and \$1,143 in late charges along with 89 claims totaling \$196,868 lacking department head approvals were included in warrants which were approved for payment. The Board has also not established policies and guidelines for the use of credit cards and payment of those claims. Only 43 percent of credit card claims tested were supported by detailed receipts. Because of these weaknesses, the Board has no assurance that the charges were valid Village expenditures.

### Audit of Claims

The Board must establish a claims audit process to effectively audit claims prior to payment to ensure that only valid Village expenditures are approved for payment. Village Law requires that the claims be audited by the entire Board, a Board-appointed claims auditor, or a formally appointed committee of the Board. Claims against the Village must contain sufficient documentation and be approved by department heads before being approved for payment. Villages are exempt from paying New York State sales tax on purchases; therefore, claims should not contain sales tax.

The Board has not established an effective claims auditing process. Two Board members, not the entire Board, approve the monthly warrant<sup>4</sup> for payment. The Board has not appointed these two Board members as an official claims audit committee. In addition, we found that these two Board members did not adequately review all claims, along with the supporting documentation, prior to approving the monthly warrant for payment. The Treasurer processed 6,747 claims in the general fund totaling approximately \$4.8 million during our audit period. We tested 129 claims, representing all credit card

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<sup>4</sup> A warrant is a listing of the claims to be paid for a specified time period.

claims and 25 judgmentally selected claims,<sup>5</sup> totaling \$256,416. We found claims that lacked required department head approval, had insufficient documentation to verify that they were valid Village expenditures and contained sales tax. Table 1 lists the deficiencies identified in the 129 claims tested.

<b>Deficiency</b>	<b>Number of Claims</b>	<b>Amount of Claims</b>	<b>% of Claims Tested with Deficiency</b>
No evidence of Department Head approving claim	89	\$196,869	69%
Insufficient supporting documentation to prove claim was a valid Village expenditure	72	\$158,335	56%
Sales Tax Charged on Claim	21	\$168	16%

Because the Board has not established policies or proper procedures for auditing claims, Board members do not know what constitutes an effective audit of claims. As a result, the Village has an increased risk of incurring unnecessary costs at taxpayers' expense, and paying for claims that are unauthorized, excessive, unnecessary, or not valid Village expenses.

## **Credit Cards**

The Board is responsible for establishing a sound credit card policy, which establishes the parameters for using credit cards and procedures for monitoring credit card usage. Original receipts from credit card purchases must be attached to credit card claims to verify that purchases were for valid Village expenditures. The Village should not incur any unnecessary costs associated with the use of credit cards such as annual fees and late charges.

The Village has 34 credit cards issued by six different companies and incurred charges totaling approximately \$200,000 in credit card purchases during our audit period. The Board has not implemented internal controls over credit cards, including a policy to provide guidelines for the use of credit cards, and credit card charges were paid without supporting receipts detailing what was purchased. Annual fees and late charges of \$1,799 were incurred by the Village for the use of credit cards.

<sup>5</sup> We scanned the cash disbursements journal for our audit period and selected those claims that appeared as unusual Village expenditures.

Insufficient Supporting Documentation – The Board should require that sufficient documentation be presented to properly audit and approve Village credit card claims for payment. We examined 104 credit card statements with charges totaling \$198,425 during our audit period to determine if the Board’s audit of claims provided sufficient internal controls to prevent unauthorized or questionable expenditures from occurring. The 104 statements contained 4,257 individual purchases and only 1,833 of those charges, or 43 percent, were supported by detailed receipts. For example, a credit card statement that included five charges totaling \$904 was paid without any receipts attached to disclose what items were purchased or the nature of the charges. In addition, the Village overpaid one credit card company \$470 because the credit card statements had not been reconciled. The Village has not been credited the overpayment and the Treasurer has not questioned the overpayment. The lack of itemized receipts for credit card charges could result in the Village unknowingly making payments for purchases that are not proper Village purchases.

Late Charges and Annual Fees – As part of their oversight responsibility, the Board and Village officials must ensure that the Village does not incur any unnecessary expenses such as late charges or annual fees. The Treasurer must require all employees who use Village credit cards to turn over receipts in a timely manner so that claims can be approved and processed to avoid late fees and finance charges. The Village paid \$1,143 in late fees on 13 credit card statements that were paid during our audit period. In addition, one credit card company charges an annual fee for the use of its credit card. During our audit period, the Village paid \$656 in annual fees. The Village has used this credit card since June 2006 which means the Village has paid approximately \$2,500 in annual fees to use this credit card. These fees may have been avoided upon proper audit of the credit card claims if the Board had questioned the fees. By not processing payments in a timely manner and not using a credit card with no annual fee, the Board and Village officials incurred avoidable and unnecessary charges at taxpayers’ expense.

The Board’s failure to establish policies and guidelines for the use of credit cards resulted in credit card charges that were not supported by documentation to ensure they were valid Village expenditures and expenditures being incurred for avoidable and unnecessary fees and charges at taxpayers’ expense.

## **Recommendations**

5. The Board should establish policies for the proper audit of claims.
6. The Board, a formally appointed committee of the Board, or an appointed claims auditor should audit all claims against the Village.

7. The Board should establish a credit card policy that sets the parameters for using credit cards and procedures for monitoring credit card usage. It should require department head approval of all purchases and original invoices should be attached to all claims.
8. The Treasurer should review all credit card payments and determine if credit is due to the Village.
9. Credit card payments should be made timely to avoid late fees.
10. The Board should review all credit cards in use and seek those credit card companies that do not charge annual usage fees.

## Information Technology

The Village relies on an information technology (IT) system for many essential functions including user fee billings, internet access, email communication, payroll and non-payroll disbursements, financial records, and reporting to State and Federal agencies. Therefore, the IT system and the data it holds are valuable resources. If the IT system fails or is damaged, the resulting problems could range from inconvenient to severe. Even small disruptions can require extensive time and effort to evaluate and repair. The Board is responsible for establishing policies and procedures to protect the Village's computer equipment, software, and data. These include a security assessment that identifies, prioritizes, and minimizes data security risks, and guidelines for disaster recovery and acceptable use of the Village's technology. In addition, backups of electronic data should be stored in a secure off-site location.

The Board did not adopt guidance for assessing the IT system for vulnerabilities, disaster recovery or acceptable use. Backup data is stored onsite and vulnerable to loss if a disaster should occur at the Village Hall. As a result, there is an increased risk that Village data, hardware and software systems may be lost or damaged by unauthorized access or disaster.

### **Policies and Written Procedures**

The Board did not adopt any IT related policies. As result, there are significant control weaknesses in the Village's IT operations that could result in lost data.

Security Assessment – A formal written security plan serves to document the process for evaluating security risks, identifying and prioritizing the more vulnerable areas, and for documenting the measures Village personnel must take to minimize and monitor such risks. For example, a security plan may call for classifying types of data according to their sensitivity, documenting the classification levels and specifying which officials, employees, and vendors are allowed access to each level.

The Board has not developed a written security plan to document any processes that are currently followed or the informal procedures that may already be in place. Without a well-developed, written security plan, there is an increased risk that informal policies and procedures may not address all vulnerable areas and therefore may not be effective.

Disaster Recovery – An effective disaster recovery plan identifies critical system functions and describes the steps that Village personnel must take to restore essential operations in the event of a disaster. Such disasters include any sudden, catastrophic event (e.g., fire, computer virus, power outage, or inadvertent employee action) that compromises the integrity of the IT system and data. An effective plan must also include measures that focus on disaster prevention.

The Board has not established a formal disaster recovery plan. Village personnel have no procedures to prevent or minimize the loss of equipment and data and no guidelines for implementing data recovery procedures and resuming critical operations as efficiently as possible. In the event of a disaster, the Village is at risk of not being able to perform essential operations such as payroll and vendor payments.

Acceptable Use – An acceptable use policy defines the Board’s goals for the use of equipment and computing systems and the security measures to protect resources and confidential information. The policy must address the acceptable use of email accounts, Internet access, and the installation of software onto Village computers. It is important that the policy include provisions for enforcement and that system users provide acknowledgement that they are aware of, and abide by, the policy.

The Board has not adopted an acceptable use policy. We tested five of the Village’s 17<sup>6</sup> computers. Although we did not find any unusual or suspicious activities, the lack of an acceptable use policy increases the risk that the IT system could be used for non-Village purposes.

The adoption of policies and/or procedures for security, disaster recovery and acceptable use does not guarantee the safety of the Village’s computer system or the electronic information it has been entrusted with by taxpayers, customers, employees and others. However, the lack of such guidance significantly increases the risk that data, hardware and software systems may be lost or damaged by unauthorized access and use or disaster.

## **Backup Data**

Sound business practices require that backups of the Village’s electronic data be made so that it can be restored in the event of loss. Backup data must be kept in a secure alternate location apart from where the original data resides. The Village has a system in place to routinely backup data and test the backups, however the backups are stored onsite at the Village Hall. By storing the backups at the Village Hall, the Village is vulnerable to losing all its data should a disaster occur that affects the Village Hall building.

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<sup>6</sup> Police Department computers were not included in our testing; they are not networked with the Village Hall and are a separate system.

## **Recommendations**

11. The Board should adopt a comprehensive security plan and update it when necessary.
12. The Board should develop a disaster recovery plan to ensure that in the event of a disaster, the Village will be able to perform essential operations.
13. The Board should develop an acceptable use policy and require all employees to adhere to it.
14. Officials should store backup data at a secure location separate from where the original data resides.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

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

*Office of the Mayor*  
**VILLAGE OF WAPPINGERS FALLS**  
2628 South Avenue  
Wappingers Falls, NY 12590  
(845)297-8773 ext.5 Fax: (845)298-2645  
Email: [matt@wappingersfallsny.gov](mailto:matt@wappingersfallsny.gov)

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Responses to Findings and Recommendations

Cash Receipts

- 1) The Board should adopt written policies and procedures to provide guidance on the cash receipt function.
  - At the October 25, 2012 Village of Wappingers Falls Board of Trustees meeting a cash receipts policy was adopted. This policy will be reviewed with an independent accounting firm to ensure completeness and make any changes they suggest.
- 2) The Board or Village officials should segregate incompatible duties in the cash receipt function and/or oversee the function to mitigate any weaknesses in the segregation of incompatible duties.
  - The bulk of our cash collections pertains to property tax collection which is handled through the use of a lockbox. During the initial review of our cash collection procedures, OSC determined that there no need to conduct a further examination as procedures deemed sufficient and duties properly segregated;
  - In addition to our internal review of staff duties, we have contacted an independent accounting firm to review and recommend changes in staff duties pertaining to the collection of water/sewer billings and residential garbage fees so that billing and collection procedures can be properly segregated – the procedures described in the OSC finding;
- 3) The Board should institute a system that ensures receipt numbers are used sequentially and all receipts are accounted for.
  - The Village has a policy of issuing cash receipts, however included in the written cash receipts policy will be a requirement that a pre-numbered cash receipt or other form of documentation ( water/sewer or residential garbage bill) be used to support the cash (or check received);
  - The policy will also include a requirement that the sequence of such numbered receipt forms be monitored; This will be facilitated by the use of a control schedule accounting for each receipt number, including those voided or otherwise not used;
- 4) The Treasurer should ensure that all fees collected are deposited within 10 days of receipt.
  - The Village will include a policy requiring all cash receipts be deposited within 10 days of receipt in its written cash receipts policy;
  - In order to monitor that this policy is being followed, the Village Treasurer will communicate directly with each staff person responsible for collecting cash on a weekly basis confirming that cash receipts have been forwarded for deposit;

## Credit Cards

- 4) The Board should establish policies for the proper audit of claims.
  - At the October 25, 2012 Village of Wappingers Falls Board of Trustees meeting an audit of claims policy was adopted. This policy will be reviewed with an independent accounting firm to ensure completeness and make any changes they suggest.
- 5) The Board, a formally appointed committee of the Board, or an appointed claims auditor should audit all claims against the Village of Wappingers Falls.
  - At the July 11, 2012 Village of Wappingers Falls Board of Trustees meeting a motion was passed appointing the members of the Finance Committee to audit the claims. Since June 2012, the appointed members have been signing off on each voucher, indicating their approval for payment.
- 6) The Board should establish a credit card policy that sets the parameters for using credit cards and procedures for monitoring credit card usage. It should require department head approval of all purchases and original invoices should be attached to all claims.
  - At the July 11, 2012 Village of Wappingers Falls Board of Trustees meeting a credit card/purchasing card policy was adopted.
  - We are planning on revising this policy to include documentation requirements and make it more restrictive with regard to the use of individual cards;
- 7) The Treasurer should review all credit card payments and determine if credit is due to the Village.
  - At the October 25, 2012 Village of Wappingers Falls Board of Trustees meeting an audit of claims policy was adopted. The audit of claims policy will include procedures for the review of credit card charges and credits. This policy will be reviewed with an independent accounting firm to ensure completeness and make any changes they suggest.
- 8) Credit card payments should be made timely to avoid late fees.
  - At the October 25, 2012 Village of Wappingers Falls Board of Trustees meeting an audit of claims policy was adopted. This policy will be reviewed with an independent accounting firm to ensure completeness and make any changes they suggest.
  - The audit of claims policy will include procedures for the immediate review of credit card statements;
  - Such procedures will include developing a calendar to ensure credit card receipts to be forwarded to the Treasurer's Office on a timely basis so the that the bill can be paid within the credit card billing period;
- 9) The Board should review all credit cards in use and seek those credit card companies that do not charge annual usage fees.
  - The credit card policy will include a policy that the Village will not obtain credit cards from companies that charge service fees;
  - The Village will research and replace companies that currently have a service fee;

## Information Technology

- 10) The Board should adopt a comprehensive security plan and update it when necessary.
  - The Board adopted a policy on July 11, 2012 at the Village of Wappingers Falls Board of Trustees meeting.
  - This policy will be reviewed with our IT subcontractor to ensure completeness and make any changes he suggests.
- 11) The Board should develop a disaster recovery plan to ensure that in the event of a disaster, the Village will be able to perform essential operations.
  - The Village will be meeting with our IT subcontractor to develop a disaster recovery policy which is comprehensive and cost-effective;
- 12) The Board should develop an acceptable-use policy and require all employees to adhere to it.
  - The Board adopted a policy on July 11, 2012 at the Village of Wappingers Falls Board of Trustees meeting.
  - This policy will be reviewed with our IT subcontractor to ensure completeness and make any changes he suggests.
  - Upon revision and re-adoption, the Village will require all employees to acknowledge receipt and agreement to adhere to the policy;
- 13) Officials should store backup data at a secure location separate from where the original data resides.
  - A policy regarding off-site back-up storage will be included in the disaster recovery plan;
  - Current procedures include storing back-ups in a fireproof safe, although not off-site;

Matthew C. Alexander, Mayor

## 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 Village 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 Village officials, performed limited tests, and reviewed pertinent documents such as Village 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 and/or theft. We then decided upon the reported objectives and scope by selecting for audit the areas most at risk. We selected the Village's cash receipts function, claims processing and information technology. To achieve our audit objectives and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Village officials and gained an understanding of the Village's cash receipt process, claims processing procedures and information technology environment.
- We reviewed departmental fees received and compared receipts to bank statements and deposit slips.
- We reviewed claim payment vouchers and the cash disbursement journal.
- We reviewed credit card invoices, cancelled checks and supporting documentation.
- We performed audit software tests on four Village computers.

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 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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