



# Village of Monticello

## Board Oversight

### Report of Examination

Period Covered:

August 1, 2011 — March 14, 2013

2013M-226



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**

February 2014

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 Monticello, entitled Board Oversight. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Village of Monticello (Village) is located in the Town of Thompson in Sullivan County. The Village has 6,726 residents and provides various services, including police protection, road maintenance and snow removal, and general government support. Additionally, the Village provides sanitation, water distribution, and sewage treatment (utilities). The Village's annual budget for the 2012-13 fiscal year was \$11.9 million, funded mainly from real property taxes, State and Federal aid and utility fees.

The Village is governed by the Board of Trustees (Board) which comprises an elected Mayor and four elected Trustees. The Trustees, along with the Mayor, are responsible for the overall management and oversight of Village operations. The Village Manager<sup>1</sup> (Manager), who is appointed by the Board, is the administrative head of the Village. The Village Treasurer<sup>2</sup> (Treasurer), who is appointed by the Mayor, is the custodian of all Village money and is responsible for collecting, recording and disbursing money under the direction of the Board. She is also responsible for maintaining the accounting records, signing checks, and preparing all internal and external financial reports, including the annual financial report which must be submitted to the Office of the State Comptroller annually. The Village Clerk/Tax Collector (Clerk), who is also appointed by the Mayor, is responsible for billing, collecting, and recording all real property taxes in the subsidiary accounts, along with maintaining records and a list of all properties with outstanding real property taxes.

## Objective

The objective of our audit was to assess the oversight provided by the Board. Our audit addressed the following related question:

- Did the Board properly oversee Village operations?

## Scope and Methodology

We examined Board oversight of the Village for the period August 1, 2011 through March 14, 2013. We extended our scope back to 2004-05 for recreation department revenues.

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 D of this report.

<sup>1</sup> The Village Mayor is currently acting as the Village Manager.

<sup>2</sup> During our audit period the previous Treasurer resigned and then assisted the Village on a part-time basis.

**Comments of  
Village 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. Except as specified in Appendix A, Village officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on the issue raised in the Village's response letter.

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.

## Board Oversight

The Board governs the Village and is responsible for the general management and control of the Village's finances and operations to ensure the financial health of the Village so that necessary services can be provided to its constituents. The Board meets this responsibility by providing oversight for fiscal operations and reviewing fiscal objectives and associated risks for each department. In some cases, direct oversight should be provided, and, in other cases, oversight can be provided by policies that establish control procedures. In addition, the Board should conduct or provide for audits as necessary and take corrective action as suggested in those audits.

The Board must provide oversight to virtually all aspects of Village operations, including ensuring that only Board-audited and approved expenditures are made, that accurate and up-to-date financial records are maintained and that revenues owed are billed and collected at the Board-established base and penalty rates. The Board should work with its Treasurer and department heads to ensure that its fiscal oversight responsibilities are met.

The Board did not properly oversee Village operations. The full Board did not audit all claims, which totaled approximately \$19 million, as required, to ensure that moneys were not used for non-Village purposes. The Board also did not ensure that Village officials maintained accurate and up-to-date accounting records and, therefore, did not receive timely and accurate reports. Such reports were needed to determine the Village's financial position and to make sound financial decisions. As a result, the Village is experiencing cash flow issues, and received notices regarding insufficient funds totaling over \$147,000 for Village bank accounts. In addition, Village officials are not ensuring they are receiving all money that is due the Village – in fact, real property tax or utility payments and/or penalties totaling more than \$40,000 were not collected, including \$213 for six accounts belonging to current and previous Village officials. Furthermore, officials do not know the amount of cash available to fund operations, the amount owed to the Village for real property taxes, or the Village's overall fiscal health. All of these conditions place the Village's financial operations at high risk of abuse or errors and jeopardize the Village's ability to provide services to its residents.

Board Action — The Board has taken no action to correct issues outlined in our prior report of examination<sup>3</sup> or the management

<sup>3</sup> Our prior audit report was released January 20, 2012. See: <http://www.osc.state.ny.us/localgov/audits/index.htm>.

letter from the Village’s CPA for the fiscal year ended July 31, 2010, received December 2011.<sup>4</sup> Both reports identified serious deficiencies relating to the failure to follow the Board-adopted procurement policy, lack of segregation of duties in the Business Office and duties performed by the Clerk, untimely financial recordkeeping and a lack of proper claims approval. For example, the entire Board still does not audit the claims as required by law; rather, as outlined in our prior report, the Board continues to inappropriately delegate this duty to two Board members, as confirmed in our sample of 39 claims totaling approximately \$128,000. Furthermore, of this sample, four claims totaling \$3,100 were paid without any Board member approval. In addition, the total amount of the bills on Board-approved abstracts exceeded total disbursements that were approved in the Board minutes and cleared the Village bank accounts.

	<b>Total Dollar Amount</b>
Cleared Village Bank Accounts	\$14,282,289
Approved in the Board minutes	\$18,905,041
Listed on Board-approved Abstracts	\$19,142,520
Audited by all Village Trustees	\$0

Two Board members told us that the Board delegates the audit and approval of claims to two Board members because that is the way it has always been done. The previous Treasurer explained that the checks for the four claims were released without approvals because the bills had to be paid, or else certain vendors may not do business with the Village in the future due to untimely payments. The previous Treasurer could not explain why the total disbursements paid per the abstracts exceeded the total disbursements that cleared the Village bank accounts, but indicated the difference could be related to transfers between bank accounts listed on the abstracts that we excluded from our disbursement total per the bank statements.

Even though we tested 39 check disbursements totaling \$128,369 and 88 bank transfers totaling \$1.7 million and found they were for appropriate purposes, the risk is high that moneys could be used for non-Village purposes. There are no controls that would detect incorrect or fraudulent payments.

Financial Records — There were numerous deficiencies relating to the accounting records maintained by the previous Treasurer and her staff. There were large variances between the balances reported in the Village’s annual financial report (AFR), the financial statements

<sup>4</sup> The external audit report for the fiscal year ended July 31, 2011 was not provided to Village officials until May 2013.

included in the CPA report, and the Village's accounting records.<sup>5</sup> There were also prior period adjustments to fund balance reported in the AFR that the previous Treasurer could not provide any support for which included an \$805,633 decrease in the general fund and a \$6,272 increase in the water fund in the 2010-11 fiscal year. There were also significant adjustments in the 2008-09 fiscal year which included a \$736,804 decrease in the general fund, a \$68,020 decrease in the sewer fund and a \$2,325 decrease in the capital fund. Additionally, we noted journal entries that were not always supported or even appropriately approved. These discrepancies occurred because the accounting records included various mis-recordings for real property taxes and relieves, utility billing control accounts were not reconciled to the detail customer accounts, and bank reconciliations were not timely or accurate.

Due to the lateness and incompleteness of the accounting records, the CPA was not able to complete its audit in a timely manner. As a result, the Board did not receive the report for fiscal year ending July 31, 2011, until May of 2013, which is almost two years from the end of the fiscal year. Furthermore, while we were on site in 2013, the CPA audit for fiscal year ending July 31, 2012 had not begun. Additionally, without accurate reconciliations, recording errors and irregularities can occur and not be detected. For example, during our audit testing, certain receipts totaling \$125,594, which included moneys from other municipalities, could not be traced to the accounting records. In addition, receipts totaling \$6,381<sup>6</sup> could not be traced to the bank statements.

Moreover, when accounting records are untimely and/or inaccurate, the Board does not have a full understanding of the Village's current financial position. As a result, financial decisions made by the Board may not be sound, including the creation of the budget. Based on the AFR and available records, the sanitation fund is projected to end 2012-13 with a fund balance deficit of approximately \$17,000, after money is transferred to the general fund for sanitation work performed by employees paid out of the general fund. Projections using the 2010-11 CPA report indicate that all funds will end 2012-13 in a deficit regardless of transfers. Additionally, the Village is experiencing cash flow issues. As a result, the Village received notices from its bank in May 2013 regarding insufficient funds totaling over \$138,000 in the general fund bank account and over \$9,700 in the water fund bank account. The Board did not take action regarding the projected deficits and the previous Treasurer did not tell the Board about the bank accounts that had insufficient funds. The budget for

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<sup>5</sup> See Appendix C.

<sup>6</sup> Included in this amount are \$1,885 of receipts that could also not be traced to the accounting records and, therefore, are included in both amounts.

2013-14 does not include a provision to address the deficits and cash flow problems.

Further, the Board failed to follow the required budget calendar for the adoption of the 2013-14 budget. No public hearing was scheduled and no Board meetings or discussions were held. As a result, there is a lack of transparency and Village is at risk of being restricted to the prior year's budget, which may not address the Village's current needs. More importantly, the 2012-13 budget included plans to spend surplus funds that are no longer available, significantly increasing the likelihood that the Village will not have the resources to pay the Village's bills as they come due and that the general fund will have a fund balance deficit.

Departmental Receipts — The recreation department had poor recordkeeping practices for moneys collected. The recreation department did not maintain any records for moneys received for the use of the recreation building use or for adult sports leagues. Furthermore, the Director was primarily responsible for the collection of those moneys with no oversight. This lack of records and oversight is especially concerning given that the average reported revenue for the recreation department was over \$38,000 per year between 2003-04 and 2009-10, but fell sharply in 2010-11 and 2011-12 to \$9,100 and \$7,800, respectively. Further, the building department had recorded billed revenue for building permits from May 2012 through February 2013 of over \$83,500. However, out of 18 building permits from that period tested, we could not trace money collected by clerks in the business office for 14 permits totaling \$3,566 to a specific deposit slip or bank statement deposit.

The failure of the Board to provide adequate oversight over departmental receipts increases the risk that Village moneys could be misused.

Lost Revenue — Village officials do not know the exact amount of unpaid taxes due to the Village, and are not collecting all utility fees for residents who live outside the Village, or collecting all late fees as required. The Clerk maintained a list of unpaid real property taxes that totaled \$4,812,561 but contained properties that were foreclosed on and sold by the County, but were still being reported as outstanding. As of July 10, 2013, neither the Clerk nor the previous Treasurer could explain the total discrepancy between the list and County records. As a result, the true amount of real property taxes due to the Village is unknown and could be misstated by millions of dollars.

Also, late fees for unpaid real property taxes or utility bills were not being assessed. For real property taxes tested, there were at least

seven receipts<sup>7</sup> and for utility bills tested, nine of 20 receipts were received after they were due but did not include late penalties. Six of the related properties belonged to Village officials, including the Mayor's properties and business, and the previous Treasurer's and one previous Trustee's properties. Combined, this resulted in approximately \$1,000 in lost penalty revenue. An account clerk told us the Village gives a one-week grace period for late payments on utilities, even though there is no authority for extending the time. Also, the Clerk told us that payments are not always entered timely because the number of payments received causes them to get behind in posting payments.

In addition, the Village does not enforce payment of unpaid utilities for customers who live outside the Village. Unpaid utilities for these customers totaled \$39,377 for 2011-12. Collection efforts are impeded because Village officials do not have accurate addresses for all residents who have outstanding real property taxes or utility bills. We sent confirmation letters to 20 Village residents with outstanding real property taxes or utilities. Five confirmations (with unpaid bills totaling \$2,953) were returned as undeliverable, indicating that these residents no longer received mail at the addresses within the Village's records. According to the Clerk, addresses are updated only if she receives a forwarding address for real property taxes, or a written request to change an address for utility billings; therefore, subsequent utilities bills continue to be sent to undeliverable mailing addresses. The failure to collect amounts due has resulted in lost revenues totaling in excess of \$40,000. These problems occurred and were not detected because there was a lack of oversight. However, the previous Treasurer told us some of the causes related to her only working part time, turnover in a clerk position, and mis-postings by the accounting software.

The failure of the Board members to perform many of the fundamental duties of their positions has resulted in significant government-wide dysfunction, and contributed to the decline of the Village's fiscal health. Even after serious problems were pointed out in a prior State Comptroller's Office audit and in CPA audits, the Board failed to take even basic corrective action. Given all of the serious deficiencies, especially the differences in reported figures, no one can be sure of the financial position of the Village or even if significant amounts of village money have been misappropriated. These conditions place the Village's financial operations at high risk of abuse or errors and,

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<sup>7</sup> We selected 100 percent of the real property tax receipts dated as received on August 31, 2012 that had corresponding copies of check payments dated in September 2012. However, because other payments did not have corresponding copies of check payments, this could have occurred more than the seven instances we found.

unless corrected, could jeopardize the Village's ability to provide services to its residents.

## **Recommendations**

1. Board members should become much more involved in management and oversight of Village operations and model an appropriate leadership model. Fast and decisive corrective action to audit reports and modeling appropriate actions such as each Board member participating in the audit of claims should be a starting point to set an appropriate tone at the top of Village management.
2. Board members should require monthly bank reconciliations and budget-to-actual statements and use them to continually monitor financial operations of the Village.
3. The Board should provide adequate oversight over all Village operations by establishing policies and monitoring compliance with those directives.
4. All Board members should audit and approve all claims prior to payment, and ensure that disbursements are made by the Treasurer only after such approval.
5. The Board should require the Treasurer to ensure all accounting records are up-to-date and accurate, and that timely and accurate bank reconciliations are prepared monthly.
6. The Board should gain a full understanding of the Village's current financial position and closely monitor the Village's fiscal health.
7. The Board should ensure that the recreation department maintains adequate records for the use of the recreation building and adult sports leagues and that the building department maintains adequate records for building permits issued to ensure that all moneys received are deposited.
8. The Board should require the Clerk to determine the true amount of real property taxes outstanding and maintain an accurate list going forward.
9. The Board should require Village officials to implement procedures to ensure all revenues for real property taxes and utility charges, including penalties, owed are billed and collected at the Board-established rates.

## **APPENDIX A**

### **RESPONSE FROM VILLAGE OFFICIALS**

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



January 24, 2014

*Via Email and First Class Mail:*

[Muni-Binghamton@osc.state.ny.us](mailto:Muni-Binghamton@osc.state.ny.us)

H. Todd Eames

Chief Examiner

State of New York

Office of the State Comptroller

Binghamton Regional Office

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44 Hawley Street

Binghamton, New York 13901-4417

Re: Village of Monticello  
Response to the OSC Report of Examination: 2013M-226  
Village of Monticello Board Oversight: August 1, 2011 – March 14, 2013

Dear Chief Examiner:

Please allow this document to serve as the response of the Village of Monticello (“Village”) to the above-referenced Draft Report recently presented to the Village by the New York State Office of the State Comptroller (“OSC”). This document is not intended to serve as the Village’s Corrective Action Plan (“CAP”), which will be provided in a separate submission pursuant to General Municipal Law §35 after issuance of the Comptroller’s Final Audit Report. I am the Mayor and acting Village Manager for the Village and submit this response in my official capacity as an Officer of the Village.

It must first be noted that the Audit in question addressed the time period from August 1, 2011 through March 14, 2013, and the OSC conducted interviews and other inquiries of certain employees and/or officials who are no longer employed by the Village of Monticello. Since the close of the audit period, there have been significant changes of personnel and officials in the Village, including, most notably, the hiring of a new and very qualified Village Treasurer and other individuals who were not privy to or responsible for the issues included in the OSC’s report. Therefore, as the Mayor, I have taken corrective action even before your Draft Report.

See  
Note 1  
Page 17

It must further be noted that this Village is one of the poorest villages in the State of New York with an unemployment rate of approximately 15% (the New York State average is 7.7% and the national average is 7.3%) and an average household income of only approximately \$31,000 (the New York State average is \$55,000 and the national average is \$51,000). Therefore, the Village of Monticello is at a severe disadvantage when it comes to raising sufficient funds via taxes from its residents that could and would pay for all full-time professionals that could contribute to the ideal management of the Village. With that said, the Village has made monumental strides in recent times by employing highly qualified and experienced individuals to dramatically improve the management of the Village.

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## **OVERVIEW**

The assessment of the internal controls of the Village by the OSC included evaluation of whether the Board of Trustees of the Village properly oversaw Village operations. This issue was evaluated based on the request made by a Village Trustee.

The OSC audit did not reveal any misappropriations of taxpayer funds whatsoever. The audit actually revealed that all bills paid during the relevant period were for appropriate purposes. However, the OSC found that the entire Village Board could, and should, do more in monitoring expenditures, approving them, auditing claims, and recordkeeping by various Village Departments, including, specifically, the Building Department and Recreation Department. Please note that at least one Village Trustee has made full Board review difficult and more problematic at all times.

With respect to the specific recommendations made by the OSC based upon their audit, the recommendations are made on data that is now outdated. It is based on the time period covered by the audit – August 1, 2011 through March 14, 2013. Since the conclusion of the audit period, the Village has made significant changes in personnel and policies and procedure. Most notably, the composition of the Village Board has changed as has the Village Treasurer, the one person most responsible for Village finances. The Village has already implemented new policies and procedures to address each of the issues and recommendations made by the OSC audit. The new Treasurer provides monthly reports to the Board, the Recreation and Building Departments have been directed to maintain separate and detailed recordings of their transactions, and the Clerk has started to maintain a more complete list of real property tax bills, payments received, and the residents' addresses.

The Village has also taken a more proactive role in ensuring that each of the various Village Officials maintains adequate records by checking in with them periodically to review their records and by requiring monthly reports from the Treasurer on the Village's finances.

### **Board Action**

The Draft Report (p. 6-7), under "Board Action," alleges as follows:

"The Board has taken no action to correct issues outlined in our prior report...reports identified serious deficiencies relating to the failure to follow the Board-adopted procurement policy, lack of segregation of duties in the Business Office and duties performed by the Clerk, untimely financial recordkeeping and a lack of proper claims approval."

The OSC report further alleges that "[t]wo Board members told us that the board delegates the audit and approval of claims to two Board members because that is the way it has always been done. The Treasurer explained that the checks for the four claims were released without approvals because the bills had to be paid..."

### Village's Response

The Village takes issue with this criticism because the Board itself has changed since the OSC audit was completed. The current Village Treasurer is also not the one who was in charge during the time frame that is the subject of this OSC report. The Village Treasurer is now Lilu Lee, who is experienced and diligent in her work. She further provides monthly reports with comparison control parameters and voucher summary reports. This significant change in personnel must surely be considered significant action taken to correct issues outlined in the OSC's prior report.

As far as the Village's practice in approving claims, the Village has already implemented a new practice, pursuant to which all five Board members are requested to sign off on each claim that is paid. In the past, certain Village Trustees have not cooperated in that regard.

It must also be noted that, as the OSC's audit confirmed, the 39 check disbursements in the amount of \$128,369 and 88 bank transfers totaling \$1.7 million were all "for appropriate purposes."

### Financial records

The OSC Draft Report alleges:

There were numerous deficiencies relating to accounting records maintained by the Treasurer and her staff. There were large variances between the balances reported in the Village's annual financial report (AFR), the financial statements included in the CPA report, and the Village's accounting records...These discrepancies occurred because the accounting records included various mis-recordings for real property taxes and relievis, utility billing control accounts were not reconciled...and because bank reconciliations were not timely or accurate.

According to the OSC, the Village, as a result of the foregoing, is thought not to have a full understanding of the Village's updated financial position. The part-time Treasurer did not keep the Board fully current on whether bank accounts had insufficient funds. The Board can and will take appropriate action regarding projected deficits.

Additionally, the OSC alleged that the Board failed to follow the required budget calendar for the adoption of the 2013-14 budget.

### Village's Response

First and foremost, as indicated above, the persons that served as Village Treasurer and Deputy Treasurer during the timeframe covered by this OSC Report are no longer Village employees. The deficiencies of the prior Village Treasurer's office are in the past.

As stated above, the Village has employed a new Treasurer who began working after the OSC's reporting period concluded. The current Treasurer has been maintaining accurate records and is very diligent in ensuring that records are updated in a timely fashion to properly inform the Village Board and the Village's residents. The new Treasurer further provides monthly

reports as indicated above. The Village's finances may not be perfect due to prior errors and omissions, but they are on their way and have already improved dramatically.

As for adoption of the 2013-14 budget, it must be noted that the Village Board had started meeting with Departments in April 2013 to prepare a budget for 2013-14. A meeting and public hearing were also scheduled for June 21, 2013. However, the prior Treasurer, the person responsible for budget recordkeeping was not available for that meeting. Accordingly, it needed to be rescheduled. Due to matters that could not be controlled, though, it was not completed prior to the deadline resulting in the automatic adoption of the prior year's budget. This process was also complicated due to the fact that the prior Treasurer had resigned unexpectedly and a new Treasurer, with the requisite knowledge and experience, could not be secured in a timely fashion due to disagreements among the Village Board. We ultimately found a qualified Treasurer and the Village Board has been working tirelessly to rectify any prior accounting issues.

### **Departmental Receipts**

The OSC found that the Recreation Department and Building Department had poor recordkeeping during the period evaluated in this report. The Recreation Department allegedly did not maintain any records at all for moneys received and the Director was primarily responsible for its collection without any oversight. The Building Department allegedly had recorded billed revenue, but some of the permits could not be traced to a deposit slip or bank statement deposit.

### **Village's Response**

The Village will respond to the challenge that prior recordkeeping in the Recreation and Building Departments could be improved. The prior Recreation Department Head was separated from employment from the Village, but the Department is now headed by James Snowden, who also serves as the head of the Building Department. Mr. Snowden is now responsible for maintaining the records for the two Departments and he has already implemented new procedures whereby separate accounting books are kept for each Department with each and every transaction recorded in chronological order. All monies received by either Department are to be deposited with the Treasurer's office in a timely and organized fashion. The Treasurer is then responsible for depositing it into the appropriate accounts and maintaining the financial records.

### **Lost Revenue**

The OSC report states that "Village officials do not know the exact amount of unpaid taxes due to the Village, are not collecting all utility fees for residents living outside the Village, or collecting all late fees as required."

### **Village's Response**

Village officials do, in fact, know the amount of unpaid taxes due to the Village. However, the Village Tax Collection Department is comprised of two people who also have other duties and responsibilities to the Village. Accordingly, they are unable to input the most

other duties and responsibilities to the Village. Accordingly, they are unable to input the most updated information as quickly as is ideal. This is an issue that would be rectified if the Village could simply employ someone else, but that would require raising taxes on an economically depressed Village.

Despite the foregoing, the Village has taken steps to ensure that late fees are assessed and collected if applicable. However, simply because the payment was entered a few days after the deadline (although the payment was made prior to the deadline) does not mean the payment was late and that a late penalty is applicable. As for the addresses of residents with outstanding taxes or bills, the addresses are updated on the tax roll each August, though that information sometimes takes a bit longer to input into the Village records as it is quite voluminous.

### **RECOMMENDATIONS**

As discussed above in detail, the Village has already implemented various changes and policies that address each of the issues in the OSC's Draft Report. If further corrective action is still deemed necessary in response to any particular recommendation, the action will be set forth in the Village's CAP. If a recommendation has been rendered moot following the audit period because of changes implemented by the current Village administration, the changes made will also be reflected in the CAP.

### **CONCLUSION**

The Village respectfully notes the findings and recommendations of the OSC Draft Report for the audit period and will prepare and submit an appropriate CAP to address the OSC Findings and Recommendations and/or to identify how such recommendations have already been addressed.

Very truly yours,

Gordon Jenkins, Mayor and  
Acting Village Manager

## **APPENDIX B**

### **OSC COMMENT ON THE VILLAGE'S RESPONSE**

Note 1

The report has been changed to make reference to former or previous staff as appropriate.

## APPENDIX C

### TABLES

<b>Table 2: Annual Financial Report (AFR) to CPA for 2010-11</b>			
	<b>AFR</b>	<b>CPA Financial Statement</b>	<b>Difference</b>
General Fund, Total Fund Balance	\$930,310	(\$2,688)	\$932,998
Sanitation Fund, Total Fund Balance	\$1,222,090	\$819,527	\$402,563
Water Fund, Total Fund Balance	\$720,239	\$104,723	\$615,516
Sewer Fund, Total Fund Balance	\$608,934	\$76,144	\$532,790
Real Property Tax Receivable (Net Uncollectable)	\$1,461,837	\$626,726	\$835,111
Capital Projects Fund Transfers In	\$10,000	\$2,450,000	(\$2,440,000)
Water Fund Transfers Out	\$102,307	\$99,987	\$2,320
Sewer Fund Transfers Out	\$96,776	\$2,539,096	(\$2,442,320)

<b>Table 3: AFR to Accounting Records for 2011-12</b>			
	<b>AFR</b>	<b>Accounting Records</b>	<b>Difference</b>
General Fund Revenues	\$7,096,235	\$6,883,463	(\$212,772)
General Fund Expenditures	\$6,632,116	\$6,628,034	(\$4,082)
General Fund Assets	\$2,401,340	\$2,178,665	(\$222,675)
General Fund Liabilities	\$1,006,909	\$1,079,547	\$72,638
Sanitation Fund Revenues	\$1,136,996	\$1,398,073	\$261,077
Sanitation Fund Expenditures	\$2,254,329	\$2,250,719	(\$3,610)
Sanitation Fund Assets	\$321,223	\$586,482	\$265,259
Sanitation Fund Liabilities	\$216,465	\$216,465	\$0
Water Fund Revenues	\$1,252,232	\$1,558,421	\$306,189
Water Fund Expenditures	\$1,581,156	\$1,581,656	\$500
Water Fund Assets	\$535,575	\$841,264	\$305,689
Water Fund Liabilities	\$144,261	\$144,261	\$0
Sewer Fund Revenues	\$1,245,921	\$1,428,863	\$182,942
Sewer Fund Expenditures	\$1,437,665	\$1,438,254	\$589
Sewer Fund Assets	\$439,604	\$621,958	\$182,354
Sewer Fund Liabilities	\$22,413	\$22,413	\$0
Capital Projects Fund Revenues	\$222,600	\$2,222,600	\$2,000,000
Capital Projects Fund Expenditures	\$1,458,136	\$3,238,174	\$1,780,038
Capital Projects Fund Assets	\$1,619,530	\$1,821,062	\$201,532
Capital Projects Fund Liabilities	\$2,553,410	\$2,388,410	(\$165,000)

## APPENDIX D

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the Board's oversight of Village operations for the period August 1, 2011 through March 14, 2013. We extended our scope back to 2004-05 for recreation department revenues. To accomplish our audit objective and obtain valid and relevant audit evidence, we performed the following procedures:

- We interviewed Board and Village staff members to gain an understanding of procedures regarding the budget development and monitoring processes, accounting records, cash receipts and disbursements, audit and approval of claims, payroll, and purchasing, and if Board oversight was provided.
- We reviewed monthly reports to the Board and determined if those reports were timely, adequate and accurate.
- We reviewed findings in the Office of the State Comptroller report of examination for the period August 1, 2009 through October 7, 2010 and the 2009-10 and 2010-11 CPA management letters and determined if corrective action has been taken by the Board.
- We reviewed bank statements, Board minutes and abstracts from August 1, 2011 through March 14, 2013 to determine if amounts clearing the bank agreed with the Board minutes and the abstracts approved by the Board.
- We obtained bank statements for September 2012 and January 2013 for the general, water, sewer, and sanitation fund checking accounts. We selected a sample of checks from each statement and traced them to Board-approved abstracts and claim vouchers to determine if checks that cleared the bank were audited, approved, appeared on Board-approved abstracts and were for legitimate Village expenditures prior to being disbursed. For the September 2012 bank statements, we selected every third check (up to five per statement) starting with the first check. For the January 2013 bank statements, we selected every third check (up to five per statement) starting with the last check.
- We projected revenues, expenditures and ending fund balances through the end of 2012-13 for the general, sanitation, water, and sewer funds to determine if any funds would end in deficits and then determined what, if anything, the Board did to offset projected deficits.
- We compared 2010-11 fiscal year end fund balances and transfers between accounts as reported in the 2010-11 Annual Financial Report (AFR) to the CPA report and the accounting records to determine if there were differences. We also compared balance sheet accounts and total revenues and expenditures reported in the AFR to the accounting records to determine if amounts agreed.
- We reviewed all prior period adjustments in our audit period as reported in the AFR and attempted to locate and review supporting documentation to determine what caused the adjustments and if the adjustments were reasonable.

- We reviewed supporting documents for a sample of 10 journal entries adjusting revenue and expenditures codes and a sample of 10 journal entries affecting cash accounts to determine if entries were supported and approved.
- We reviewed all bank reconciliations in our audit period, noting the date they were prepared, to determine if reconciliations were being done timely. We also reviewed bank reconciliations for February 2013 verifying that any outstanding checks, deposits and bank adjustments were legitimate and supported. We also traced reconciliation balances to Village accounting records to determine if reconciliations were accurate.
- We obtained a list of all moneys sent to the Village from Sullivan County. We selected and traced 10 payments from the County report to Village cash receipts reports, deposit slips and bank statements to determine if receipts were deposited timely and intact and were charged to the proper account code.
- We inquired of Village officials and staff members to determine who was responsible for assessing, enforcing, collecting, depositing and recording receipts for water, sewer, sanitation, real property taxes, code enforcement, recreation and other revenues.
- We obtained a list of permits issued from May 2012 through February 2013. We selected 18 to review the code enforcement file noting the type of project being performed and compared amounts charged by the code enforcement office to the Board-adopted fee schedule to determine if the amounts charged agreed and if the amounts received were deposited.
- We reviewed reports of outstanding real property taxes to determine the total number of properties with outstanding real property taxes and the total amount owed to the Village.
- We gained an understanding of how utilities were relieved and real property tax warrant amounts were recorded in the accounting records and traced those amounts from the tax warrant to the accounting records to determine if correct amounts were recorded.
- We obtained the relevy list as of June 27, 2012 and compared it to the 2012-13 tax roll, in total, to determine if the amounts relieved agreed to the amounts outstanding. We also traced 10 properties from the relevy list to the tax roll to determine if amounts outstanding were relieved to the proper accounts and in the proper amounts.
- We selected 20 real property owners noted as paying their tax bill from the 2012-13 tax roll and traced from the tax roll to cash receipt reports, deposit slips, and bank statements to determine if correct amounts were paid and if receipts were deposited timely and intact. For those selected where interest or penalties should have been assessed, we also determined if correct amounts were assessed and collected. Our sample included all Board members, the Manager, the previous Treasurer, the Clerk, and account clerks.
- We selected 20 utility receipts from September 2012, November 2012 and January 2013 cash receipts reports and recalculated billing amounts based on usage per the meter reading books and Board-adopted rates, including penalty assessments, and traced amounts paid to deposit slips and bank statements to determine if proper amounts were billed, collected, and deposited

timely and intact. We also compared usage amounts entered into the billing system to meter reading books to determine if usage amounts agreed. Our sample included all Board members, the Manager, the previous Treasurer, the Clerk, and account clerks.

- We sent confirmation letters to 20 real property owners to determine if outstanding amounts reported in the Village's records regarding real property taxes and utilities agreed with property owners' 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## APPENDIX E

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