



Town of Allen

Town Clerk Fees

Report of Examination

Period Covered:

January 1, 2013 – November 19, 2015

2016M-28



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2016

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Allen, entitled Town Clerk Fees. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

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

Respectfully submitted,

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

Introduction

Background

The Town of Allen (Town) is located in Allegany County (County) and has a population of approximately 450. The Town is governed by the Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general management and control of the Town's financial affairs. In addition to being a member of the Board, the Supervisor also serves as the Town's chief fiscal officer.

The Town provides various services to its residents including road maintenance, snow removal and general government support. The Town's primary funding sources are real property taxes and State aid. The Town's 2016 budgeted appropriations total approximately \$481,000.

An elected Town Clerk (Clerk) is responsible for collecting fees for a variety of purposes including dog licenses, hunting licenses,¹ marriage licenses, building permits and birth and death certificates. Generally, all fees collected by the Clerk are the property of the Town, County or State and must be remitted promptly to the appropriate entities. The Clerk is also responsible for preparing monthly reports detailing financial activities and providing them to the Supervisor. During our audit period, three different individuals served as Clerk, with combined cash receipts totaling \$12,186.²

Objective

The objective of our audit was to evaluate the Clerk's financial management practices. Our audit addressed the following related question:

- Did the Clerk record, deposit, disburse and report all money collected in a timely and accurate manner?

Scope and Methodology

We examined the Clerk's financial management practices for the period January 1, 2013 through November 19, 2015.

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.

¹ The Town did not issue hunting licenses between January 2013 and July 2015.

² Total cash receipts deposited by the Clerks during the audit period

**Comments of
Town Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our findings and indicated they planned to implement 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 Board to make this plan available for public review in the Clerk's office.

Town Clerk Fees

The Clerk is responsible for receiving, depositing, disbursing and reporting all fees collected in an accurate and timely manner. This requires maintaining complete and accurate accounting records and ensuring that money received is properly safeguarded, promptly deposited into Town bank accounts and disbursed to the appropriate parties in a timely manner. The Board is responsible for providing adequate oversight of the Town's financial affairs, including performing annual audits of the Clerk's records.

During our audit period, three different individuals served as Clerk, with combined cash receipts totaling \$12,186. The first individual served from January through May 2013 and deposited \$420 in cash receipts. The second individual served from June 2013 through April 2014 and deposited \$2,326 in cash receipts. The third individual started in May 2014 and continued to serve through November 2015. She deposited \$9,440 in cash receipts as of September 29, 2015.

The Clerks did not always properly record, deposit, disburse and report the collection of fees in a timely and accurate manner. The Clerks did not routinely issue duplicate receipts or prepare a monthly accountability analysis. The former Clerk³ did not record all fees collected and deposited in her cash receipts journal. Because of this, the current Clerk's account had a cash shortage of \$171 as of September 29, 2015. It is likely this amount is greater because many collections were not documented with duplicate cash receipts and certain cash receipt records were not available for review.⁴ If the Board had conducted the required annual audit of the Clerks' records, it may have been able to detect this shortage.

Deposits and Accounting Records

The Clerk must properly account for all transactions by accurately recording amounts collected in the cash receipts journal, depositing receipts intact within three business days after the total exceeds \$250 and remitting money to the appropriate entities. Each month, the Clerk should verify the accuracy of the financial records and perform an accountability for the money held by preparing a list of liabilities and comparing it with cash on hand and deposits. At any point in time, the Clerk's liabilities (unremitted fees) should equal the Clerk's available cash. An accountability analysis is a critical procedure to ascertain the status of money held by the Clerk and helps to ensure that the Clerk is appropriately addressing his or her custodial responsibility.

³ The former Clerk refers to the individual who served as Clerk from June 2013 through April 2014. She resigned prior to the start of our audit.

⁴ The current Clerk could not locate all of the previous Clerk's monthly reports, including cash receipt journals.

The three Clerks did not regularly prepare monthly accountabilities. We reviewed all deposits made from January 1, 2013 through September 29, 2015 totaling \$12,186 and found that not all cash receipts were deposited in a timely manner. For example, between May 2, 2015 and May 18, 2015, the current Clerk's records indicate that she collected \$342, but the money was not deposited until 10 days later on May 28, 2015. While the statutory deadline is the latest point in time at which a deposit may be made, from an internal control perspective, the best approach is to deposit money as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur. In addition, as discussed further, not all deposits could be traced to the cash receipts journal or date of collection; therefore, Town officials would have no way of determining how late deposits were made on average.

Cash Shortage – We reviewed bank statements and deposit compositions⁵ to determine if all fees collected by the Clerks were recorded in the cash receipts journal, reported on the monthly report to the Supervisor and paid to the appropriate person or agency. The former Clerk did not record all cash receipts. Instead, it appears that she misappropriated cash receipts by collecting cash, not recording it in the financial records and substituting unrecorded checks for cash.

Eight checks totaling \$225 for fees such as vital records and dog licenses were deposited in the Clerk's bank account but not recorded in the cash receipts journal. They were not included on the Clerk's monthly report to the Supervisor or subsequently disbursed. For example, three checks totaling \$180 were deposited into the former Clerk's account between November 2013 and March 2014 but were not recorded in her cash receipts journal or remitted to the Supervisor. All three checks were from funeral homes, possibly for certified copies of death certificates. These checks were not recorded in the Clerk's records and current Town officials could not provide us with any evidence that the former Clerk turned these funds over to the Supervisor. We also identified five duplicate receipts totaling \$24 for cash collected that could not be traced to the former Clerk's cash receipts journal.

Had the unrecorded check deposits been properly entered in the cash receipts journal in addition to the cash collections, the former Clerk would have been accountable for more money than was actually in the bank. There would not be enough to cover the amounts due to the Town or other agencies. We conducted a cash count and prepared an accountability analysis of the current Clerk's fee account as of

⁵ Deposit compositions are provided by the bank and include an authenticated deposit slip and images of the checks made in a particular deposit.

September 29, 2015. After taking into account the former Clerk’s unrecorded liabilities, we determined that there was an identifiable cash shortage totaling \$171, as evidenced in Figure 1.

Figure 1: Accountability as of September 29, 2015	
Town Clerk Account 9/29/15	\$456
New York State Department of Environmental Conservation Bank Account 9/29/15	\$3,383
Total Cash on Hand and Deposit	\$3,839
Less: September 2015 Liabilities	\$3,501
Less: Unrecorded Liabilities (Checks) Identified	\$225
Less: Duplicate Cash Receipts Identified	\$24
Less: Previous Account Balance ^a	\$260
Total Apparent Shortage	(\$171)
^a Undistributed balance in the former Clerk’s bank accounts as of April 30, 2013.	

We believe this number may have been more, but many cash collections were not documented with a receipt. Therefore, Town officials could not determine if there was additional money the Clerk should have had on deposit.

Duplicate Receipts – The Clerk is required to issue a duplicate receipt at the time payment is collected when no other adequate evidence of receipt is available. Duplicate receipts should be press-numbered and indicate payment date, payee name, amount, purpose, form of payment (i.e., cash or check) and recipient name. Proper receipts serve as evidence of individual collections and help ensure that the Clerk has correctly entered all transactions in the accounting records.

The Clerks did not regularly issue duplicate receipts for fees collected during our audit period. For example, the Clerks’ records indicated that approximately \$2,000 was collected between June 2013 and May 2014, but no duplicate receipts were issued during this period of time.

When proper duplicate receipts are not issued, Town officials cannot verify that all receipts are recorded in the Clerk’s cash receipts journal, deposited intact in the bank and reflected on monthly reports. This allowed the former Clerk to apparently misappropriate cash receipts without detection.

Board Oversight

The Board is required to annually audit the Clerk’s records and reports or hire a public accountant for that purpose. In conducting its reviews, the Board should determine whether effective procedures are in place to ensure that the Clerk properly accounts for, records and deposits money collected on a timely basis. It is important for the Board to document what records were reviewed and the results of the audit to provide assurance that the Board is properly reviewing the Clerk’s records.

The Board did not conduct the required annual audit of the Clerks' records in 2013. Although the Board minutes indicated that the Board audited the 2014 records on December 9, 2014, Town officials were unable to produce any documented audit procedures or results. Further, Board members told us that they did not know how to perform a proper audit of the records.

Because the Board did not perform proper annual audits, its ability to effectively monitor the Town's financial operations was diminished. As a result, errors or irregularities occurred and remained undetected and uncorrected. Had the Board performed the required annual audits properly, it would likely have recognized the deficiencies in the Clerks' records and the apparent misappropriation of Town money.

Recommendations

The Clerk should:

1. Issue duplicate receipts that record the date, payee name, purpose and amount and form of payment for all money received, where no other form of receipt is available. The Clerk should retain all evidence of receipt.
2. Accurately record all collections in the cash receipts journal and deposit all collections in the appropriate bank account intact and in a timely manner.
3. Prepare an accountability analysis each month comparing cash on hand and in the bank with liabilities due to the Supervisor and other appropriate agencies.

The Board should:

4. Perform an adequate annual audit of the Clerk's records using documented procedures and enter the results in its meeting minutes.

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

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

Town of Allen
4949 Klein Road
Fillmore, New York 14735

(585) 567 8320 – Phone- (585) 567 8322 – Fax

*Town Supervisor – Julie Steadman, Town Clerk – Jame J. VanDewalker, Highway Superintendent – Allan Hennard
Councilman – Donna Dorvit, Edgar Allen Richard Streiff, Judith Allen*

May 12, 2016

Mr Jeffrey D. Mazula
Chief Examiner
Office of The State Comptroller
110 State Street
Albany, NY 12236

Dear Mr Mazula,

This is to inform you that the Town Board of the Town of Allen has come together to discuss the findings of the audit report for the "Town Clerk Fees" for the period of January 1, 2013- November 19, 2015.

The Town Board has read, met and discussed the findings of the report and have found no disagreement with what was reported.

The Board feels comfortable with moving forward along with the Town Clerk in producing a Corrective Action Plan that will follow at a later date.

Sincerely,

Julie Steadman
Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the Clerk's financial management practices for the period January 1, 2013 through November 19, 2015. To achieve our audit objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed appropriate Town officials and employees to gain an understanding of the internal control policies and procedures and current practices relating to the Clerk's management of cash receipts.
- We reviewed daily cash receipts recorded in the Clerk's cash receipt journal for the audit period to determine if they were receipted, recorded, reported accurately on the Clerk's monthly report and deposited intact and in a timely manner.
- We performed a cash count and an accountability to determine the amount of cash and checks that the Clerk had on hand since her last bank deposit for comparison to the cash receipts journal.
- We obtained compositions of deposit for all deposits during our audit period to determine if the deposits were made intact and in a timely manner.
- We reviewed the minutes of the Board's meetings and the Clerks' records for evidence of the Board's annual audit. We also interviewed Board members to gain an understanding of the procedures performed in completing an annual audit.
- We reviewed payments made to the Supervisor, the County and State agencies to determine if they were remitted accurately and in a timely manner.

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 C

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