



Town of Attica

Town Clerk

Report of Examination

Period Covered:

January 1, 2014 — June 10, 2015

2015M-210



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 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 Attica, entitled Town Clerk. 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 Attica (Town) is located in Wyoming County (County) and has a population of approximately 7,700 residents. The Town Board (Board) is composed of an elected Town Supervisor and four elected council members and is the legislative body responsible for overall Town operations and finances, including oversight of the elected Town Clerk (Clerk). Budgeted appropriations for 2015 totaled over \$1.1 million and were funded primarily through real property taxes and State aid.

The Clerk serves as Clerk to the Board and collects fees for a variety of purposes, including zoning permits; birth and death certificates; and marriage, dog and environmental licenses. Generally, all fees received by the Clerk are the property of the Town, County or State and must be remitted promptly to the appropriate entities. The Clerk deposited over \$27,000 in fees during the 2014 fiscal year. The Clerk has served in this capacity for approximately eight years.

Objective

The objective of our audit was to determine if the Clerk properly accounted for all money received and disbursed in her official capacity. Our audit addressed the following related question:

- Did the Clerk properly receive, deposit, remit and report cash receipts?

Scope and Methodology

We examined financial activities of the Clerk's office for the period January 1, 2014 through June 10, 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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of Local Officials and Corrective Action

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

Town Clerk

The Clerk is responsible for receiving, recording, reporting and remitting all money collected in an accurate and timely manner. The Clerk is also responsible for depositing all money collected timely and intact.¹ This requires maintaining complete and accurate accounting records. It is the Board's responsibility to provide adequate oversight of the Town's financial affairs, including performing annual audits of the Clerk's records.

We identified a cash shortage of \$1,401 in the Clerk's office. Had the Board conducted the required annual audit of the Clerk's records, it may have been able to detect this shortage.

Our audit determined that certain Clerk fees were not recorded in the Clerk's cash receipts journal. We identified numerous transcripts and licenses that were issued and not recorded in the cash receipts journal nor included on the Clerk's monthly report. The Clerk did not issue press-numbered duplicate receipts for all cash collected, accurately record all transactions or deposit cash receipts intact.

Accountability – During October 2014, our Office performed an onsite risk assessment of the Clerk's records and reports. We determined that the Clerk did not perform an accountability that identified actual cash assets on hand compared with amounts owed to the Supervisor and other entities. As a result, we performed a cash count and accountability analysis as of October 29, 2014 using available receipt records, bank compositions of deposits and bank statements and found a probable cash shortage. As a result, we performed an audit of the Clerk's records and identified a cash shortage of \$1,401 in the Clerk's account as shown in Figure 1.

¹ Intact means in the same amount and form (cash or check) as received.

Figure 1: Cash Accountability as of October 29, 2014^a

| Description | Amount |
|--|------------------|
| Cash in Bank | \$2,622 |
| Cash on Hand | \$380 |
| Total Cash | \$3,002 |
| Less: Recorded Liabilities as of October 29, 2014 | (\$3,453) |
| Subtotal | (\$451) |
| Less: Unrecorded Liabilities ^b | |
| Marriage Transcripts Issued | (\$280) |
| Certified Copies of Marriage Transcripts per the Clerk's Inventory | (\$370) |
| Unaccounted Safety Paper for Marriage Licenses | (\$200) |
| Original Receipts for Refunded Marriage Licenses ^c | (\$80) |
| Zoning Permit Issued ^d | (\$20) |
| Subtotal | (\$950) |
| Total Cash Shortage in the Clerk's Account | (\$1,401) |

^a The cash accountability included unrecorded liabilities of \$220 that occurred after October 29, 2014.
^b Documentation on file but not recorded in the cash receipts journal
^c See section entitled "Cash Disbursements" for more detail.
^d A zoning permit appears to have been issued by the Town because the applicant documented her insistence that she had paid. However, the amount was not recorded in the Clerk's cash receipts journal.

We found 28 copies of marriage transcripts² totaling \$280 that were issued but not recorded in the Clerk's cash receipts journal. The Clerk indicated that she does not charge inmates at the local prison the \$10 copy fee for transcripts because they are not allowed to retain legal documentation in their prison cell. However, 26 of the transcripts in question were not issued to inmates.³ Additionally, we found evidence that contradicts the Clerk's representation. For instance, an inmate was issued two copies of a marriage transcript and the Clerk issued a receipt for \$10 for cash received from this inmate.

The Clerk also did not properly record transactions that required the use of safety paper,⁴ which is used for certified copies and licenses, in her cash book report. The Clerk documented her use of the safety paper and we performed an inventory of unissued and voided safety

² These are copies of the actual certified copy of the marriage certificate.

³ Based on the groom's address that was listed on the transcript.

⁴ The New York State Department of Health issues safety paper to the Clerk to be used for marriage registrations and transcripts of death, marriage and birth certificates. This paper has a unique serial number imprinted on each piece which allows its usage to be identified and tracked. This paper should be secured in the same manner as the Clerk would safeguard unused check stock.

paper on file. As a result of that inventory, we determined that \$370 in fees that should have been collected by the Clerk for marriage transcripts were not accounted for in her cash book report. In addition, we determined that \$200 in marriage license fees, which should have been collected based on the Clerk’s use of safety paper, was not recorded in the Clerk’s cash receipts journal.

Deposits – The Clerk did not deposit 2014 cash receipts intact. We reviewed all 48 deposits, totaling \$27,426 for 2014 and found 43 totaling \$26,221 were not deposited intact. As a result, the Clerk could not identify and we could not verify which receipts corresponded to which deposits. In addition, in total for 2014, the Clerk’s cash book showed \$479 less than the bank deposits.⁵ Our comparison of the monthly recorded receipts per the cash book with the monthly bank deposits is shown in Figure 2.

| Figure 2: Comparison of Monthly Cash Book Receipts and Deposits for 2014 | | | |
|---|------------------|-----------------|-------------------|
| Month | Cash Book | Deposit | Difference |
| January | \$1,528 | \$1,660 | \$132 |
| February | \$1,257 | \$1,181 | (\$76) |
| March | \$1,652 | \$1,515 | (\$137) |
| April | \$796 | \$1,262 | \$466 |
| May | \$1,404 | \$1,139 | (\$265) |
| June | \$1,249 | \$1,232 | (\$17) |
| July | \$631 | \$728 | \$97 |
| August | \$6,013 | \$5,202 | (\$811) |
| September | \$7,412 | \$7,112 | (\$300) |
| October | \$3,409 | \$3,823 | \$414 |
| November | \$951 | \$1,780 | \$829 |
| December | \$645 | \$792 | \$147 |
| Total | \$26,947 | \$27,426 | \$479 |

Because the Clerk did not regularly identify which individual receipts made up each deposit, we could not determine when specific receipts were deposited. On average, the Clerk deposited receipts four times per month. Furthermore, we noticed that the Clerk did not always accurately record the date of the transaction. For example, the Clerk’s records indicated that she issued a copy of a marriage certificate on April 9, 2014. However, her cash receipts journal indicated that it was received on April 22, 2014, or 13 days later.

⁵ Deposit timing may potentially account for some of these differences.

The Clerk said she did not deposit all of the cash with the deposits because she was using a portion of the cash as petty cash to make change for customers. She indicated that the amount of cash withheld from the deposit varied, and she did not keep a record of the petty cash or the difference in deposit. We note that this explanation is inconsistent with the Clerk's representation during our cash count where she indicated that she used \$20 of her own money as petty cash.

Cash Disbursements – During 2014 the Clerk made two cash disbursements totaling \$40 each for refunds of marriage licenses. However, there was no documentation in the cash book report showing that the Clerk ever accounted for the original receipt of these funds. The Clerk did not have any marriage records/applications on file indicating that the person had paid. If cash was originally received for both of these transactions, the Clerk should have properly recorded them in her records. When a Clerk does not properly record cash receipts in their records, there is a risk the money could be lost or stolen.

Duplicate Receipts – The Clerk did not always issue duplicate receipts for transactions where no other evidence of receipt was available. The Clerk maintained evidence of transactions for New York State Department of Environmental Conservation (DEC) licenses through its computerized system, but did not issue receipts for other transactions. For the 20 transactions⁶ we reviewed, four did not have a corresponding duplicate receipt.

We also analyzed the sequence of computer-generated receipt numbers for missing receipts. We found that 30 receipts were not accounted for in the Clerk's records. In addition, 25 receipts were not issued in chronological order. For example, receipt number 4381 was issued on June 19, 2014. However, receipt number 4380 was issued on July 31, 2014 or 42 days later.

Without adequate supporting documentation, it is difficult to determine whether cash is properly recorded in the accounting records and to verify that all money is accounted for.

Annual Audit – The Board did not perform an annual audit, or retain an independent auditor to audit the Clerk's books and records, as required by statute. Although the Town contracted with an external auditor to perform an audit for 2013, the audit's primary purpose was to express an opinion on the Town's financial statements for the Town Supervisor, the Tax Collector and the Town Justices. It did not include an audit of the Clerk's records and reports for 2013 and an

⁶ Of the 20 transactions, two were for DEC licenses.

audit was not subsequently conducted for the Clerk's 2014 records and reports. The Supervisor indicated that being newly appointed to the position, he was not aware of this requirement. Consequently, the Board did not provide appropriate oversight or comply with statutory requirements.

An annual audit is a particularly important function when the Clerk's office is mainly a one-person operation where the Clerk receives cash payments, records cash collections in the accounting records, disburses money and reconciles their own accounts. Without a proper segregation of these duties among different individuals, it is essential for the Board to conduct a thorough audit to provide a compensating control. Had the Board performed this function, it may have been able to prevent, detect and correct the deficiencies identified in this report.

Recommendations

The Clerk should:

1. Properly collect, record and deposit all money timely and intact.
2. Document which individual receipts make up each deposit.
3. Issue press-numbered duplicate receipts for all transactions where no other form of receipt is available. These receipts should be issued in chronological order.
4. Properly record and account for safety paper.
5. Perform monthly accountabilities.

The Board should:

6. Annually audit, or retain an independent auditor to audit, the Clerk's records and document the audit steps and related results of its annual audit of the Clerk's records in the minutes of its proceedings.
7. Consult with Town counsel and recoup the missing money.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

The response letter refers to an attachment that supports the response letter. Because the response letter provides sufficient detail of its actions, we did not include the attachment in Appendix A.

TOWN OF ATTICA

Supervisor-Bryan Kehl

Town Clerk-Kristen Mell

Town Board

Gary Wysko

George Diehl

Carrie Snyder

Michael Harding

9 Water Street, Attica, New York, 14011

P. (585) 591-2920 F. (585) 708-5066

November 18, 2016

Via [REDACTED]

[REDACTED]
Division of Local Government and School Accountability

Office of the State Comptroller

295 Main Street, Suite 1032

Buffalo, NY 14203-2510

Re: Town of Attica Town Clerk

Report of Examination

Period Covered: January 1, 2014 - June 10, 2015

Audit Report Number: 2015M-210

Dear [REDACTED]

This letter will serve as the Town of Attica's (hereinafter "Town") formal response to your Draft Audit Report (hereinafter "Draft Report") for the period from January 1, 2014 through June 10, 2015, No. 2015M-210.

The Draft Report has been reviewed by the appropriate Town officials, and representatives of the Town participated in the exit conference portion of the audit process with staff of the Comptroller's Office. The Town Board wishes to thank the representatives of the Comptroller for their courtesy and cooperation during the audit process. This process will be helpful in guiding future Town operations.

INDEPENDENT AUDITOR

The Town does not disagree with the Comptroller's findings regarding the retention of an independent auditor to audit the Clerk's records and document audit steps and related results of its annual audit of the Clerk's records in the minutes of its proceedings. In fact, the Town Board has taken immediate action and is committed to resolving any problems that have existed in the past. The Board has retained an independent auditor and has instructed the auditor to perform such duties as recommended by the Comptroller. The independent auditor's draft response is attached.

CONSULTATION WITH TOWN COUNSEL AND RECOUPMENT OF MISSING FUNDS

The Town does not disagree with the Comptroller's findings regarding cash accountability and total cash shortage in the Clerk's account. The Town has taken immediate action and is currently engaged with Town counsel and fully intends to recoup the missing funds.

Thank you for this opportunity to respond to the Draft Report and to state the Town's position in that regard.

Very truly yours,

Bryan Kehl, Supervisor
Town of Attica Town Board

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed the Clerk and Supervisor regarding the practices and procedures for collecting, receipting, recording, remitting and reporting Clerk fees and the level of Board oversight of the Clerk's office operations.
- We performed accountabilities using the Clerk's bank account balances and cash on hand to determine if available assets equaled liabilities.
- We reviewed bank statements and canceled checks to determine whether disbursements were appropriate, supported and properly remitted.
- We reviewed duplicate deposit tickets and scheduled the cash and total deposit to determine if the percentage of cash in the deposit was reasonable. We also reviewed the duplicate deposit tickets for large checks to identify instances of cash substitution.
- We obtained bank deposit compositions and compared them with the Clerk's cash receipts journal and cash book to ensure that deposits were properly accounted for, timely and intact.
- We compared the amounts on the duplicate receipts with the cash receipts journal entries to determine if amounts were properly recorded.
- We compared the amounts in the cash receipts journal with the information reported on the Clerk's monthly reports to the Board to determine if the amounts agreed.
- We interviewed the Supervisor to determine if the Board performed an annual audit of the Clerk's records and reports.
- We compared original marriage and death certificates with the Clerk's cash receipts journal to ensure that they were properly accounted for. We also obtained documentation from the Department of Health to ensure that the Clerk's records were complete. We compared the safety paper issued with the Clerk's local disposition report. We also performed our own inventory of unissued and voided safety paper on file with the Clerk.
- We compared the zoning permit fees per the Town's Zoning Officer with the Clerk's cash receipts journal to ensure that fees were properly accounted for.
- We performed an analysis of active and inactive dog licenses and tags issued based on a prior dog inventory. We also sent out confirmation letters to determine if dog licenses were paid but not recorded by the Clerk.

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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AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
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Tracey Hitchen Boyd, Assistant Comptroller

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