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March 19, 2014

David A. Walter, Supervisor
Members of the Town Board
Town of Albion
PO Box 127
Altmar, NY 13302

Report Number: 2013M-331

Dear Mr. Walter and Members of the Town Board,

The State Comptroller has the responsibility to oversee the fiscal affairs of local governments. To fulfill this responsibility, we have examined the fiscal affairs of the former Village of Altmar (Village). The objective of our examination was to determine if the Village Clerk-Treasurer properly accounted for the Village's cash receipts and disbursements during the period June 1, 2009 through May 31, 2013.

To achieve our objective, we interviewed Village officials and reviewed Board minutes and various financial records including bank statements and canceled checks, claims, duplicate receipts, real property tax records, payroll records and available accounting records. More information on the methodology used in performing this examination is included in Appendix A of this report. The scope of our review is advisory and does not constitute an audit under generally accepted government auditing standards (GAGAS).

The results of our examination and recommendations have been discussed with the Town Supervisor. Although the Town Supervisor declined to respond in writing to our report, he indicated that the Town will implement the recommendations.

Background

The Village, located in Oswego County, was first incorporated in 1876 and had a population of approximately 400 residents. In July 2010, pursuant to Article 17-A of the General Municipal Law, voters in the Village presented a petition to the Village Board calling for a public referendum on dissolving the Village government and merging operations with the Town of Albion. A referendum was held in November 2010 and the Village became the first village in the State to approve dissolution under this law.¹ The Village Board appointed a Dissolution Study Committee and engaged the services of an independent consultant to assist them in developing a dissolution plan. The dissolution plan was presented at a public hearing, and the Village Board

¹ Article 17-A took effect in March 2010.

approved the dissolution plan in August 2011. A later effort by voters to rescind the original dissolution vote failed in December 2011 and the Village dissolved on June 1, 2013. All of the remaining Village assets, on the effective date of the dissolution, were turned over to the Town of Albion and became Town assets.

During its existence, the Village was governed by a three-member governing board (Board) consisting of a Mayor and two trustees. The Mayor served as the chief executive officer and Board Chair and appointed a Clerk-Treasurer, who served as the chief fiscal officer. For the fiscal year ended May 31, 2013, the Village's budgeted appropriations totaled \$204,045 and were funded primarily by property taxes, sales tax distributions from Oswego County and a fire protection contract with the Town of Albion.

In March 2013, the former Town Supervisor contacted our office to request our assistance because the Town was having difficulty obtaining financial information from the Village that it needed in order to prepare for taking over certain Village operations once the Village dissolved. In response to this request, we contacted the Village and made arrangements to review the Village's records and bank activity. Our initial review disclosed some questionable payments made to the Clerk-Treasurer. As a result of these payments, we initiated an examination of the Village's cash receipts and disbursements.

Results of Examination

Based on our examination, it appears that the Clerk-Treasurer misappropriated \$115,891² of Village funds, made questionable purchases totaling \$1,405 and received questionable expenditure reimbursements totaling \$319. In total, we question the propriety of \$117,615 in Village transactions that were initiated by the Clerk-Treasurer, as summarized in the following table:

² Of this amount, it appears that \$46,689 was misappropriated in 2011-12 – this is equivalent to 67 percent of the Village's 2011-12 real property tax levy. Similarly, \$44,047 was misappropriated in 2012-13, which is equivalent to 66 percent of that year's tax levy. The remaining misappropriated funds were from prior fiscal years (back to June 2009).

Table 1: Summary of Misappropriated Funds and Questionable Activity	
Unauthorized Check Payments	
Voucher Payments to the Clerk-Treasurer	\$52,762
Payroll Payments to the Clerk-Treasurer	\$48,964
Payments to the United States Treasury	\$4,950
	Sub-total
	\$106,676
Cash Receipts Not Deposited	
Real Property Taxes - Other Taxpayers	\$4,272
Real Property Taxes - Clerk-Treasurer's Taxes	\$1,565
Sale of Vehicle	\$2,100
Permit Fees	\$1,278
	Sub-total
	\$9,215
Total Apparent Misappropriation of Cash Receipts and Disbursements	\$115,891
Unauthorized Purchases by the Clerk-Treasurer (Items are not accounted for)	\$1,405
Questionable Reimbursements to the Clerk-Treasurer	\$319
	Overall Total
	\$117,615

The Clerk-Treasurer was able to misappropriate funds because the Board had not established an adequate system of internal controls over the Village's cash assets and financial records. The Clerk-Treasurer was responsible for receiving funds and making bank deposits; preparing and signing Village checks; processing payrolls; maintaining the Village's accounting records; and receiving unopened monthly bank statements and canceled check images. She performed these functions with virtually no Board oversight. This created an environment where the Clerk-Treasurer was able to write checks to herself or to others for payment of her personal expenses without Board authorization and divert receipts instead of depositing them into Village accounts. This occurred over a four-year period without detection by the Mayor or the Board.

We examined all cash disbursement transactions reported on Village bank statements for the period June 1, 2009 through May 31, 2013. Our testing identified 126 checks totaling \$106,676 that were written by the Clerk-Treasurer to herself, or to others for her personal expenses, that were not supported by documentation indicating proper authorization and do not appear to have been made for valid Village purposes. Specifically, we found the following:

- The Clerk-Treasurer wrote 39 checks totaling \$52,762 payable to herself from the general fund checking account for which there was no voucher on file or evidence of Board audit and approval of the payments.³
- The Clerk-Treasurer issued 75 unauthorized checks,⁴ payable to herself, totaling \$48,964 out of the trust and agency (T&A) payroll checking account. According to Village budgets, the Clerk-Treasurer's budgeted salary for the 2009-10, 2010-11 and 2011-12

³ The Board's normal process for showing approval of payments was to have at least two of the three Board members audit the voucher and write their initials on the voucher packet (voucher form with supporting invoices, receipts, timesheets, etc.) to document their authorization to pay the voucher.

⁴ Of these 75 checks, 12 were written for amounts greater than was authorized and there was no authorization for any portion of the other 63 checks.

fiscal years was \$4,800, and for 2012-13 her salary was doubled to \$9,600.⁵ From June 2009 through April 2012, the Clerk-Treasurer prepared T&A vouchers for herself and the other elected and appointed officials each pay period (monthly or quarterly) to show their gross and net pay. Board members initialed these vouchers to document their approval of the payments. The Clerk-Treasurer stopped providing the Board with these vouchers in April 2012, shortly before her salary doubled.

The former Mayor told us that the Board did not authorize or approve an increase in the Clerk-Treasurer's salary for 2012-13. Another former Board member told us that he remembers having discussed giving the Clerk-Treasurer additional money to compensate her for additional dissolution-related work, but did not remember agreeing to double her salary. Because we found no formal Board authorization to increase the Clerk-Treasurer's salary in 2012-13 and the last Board authorization on file for her pay was the April 2012 T&A voucher for \$400 per month (\$4,800 annually), we used \$4,800 as the Clerk-Treasurer's authorized salary for the 2012-13 fiscal year when quantifying the amount of unauthorized payments. Many of the unauthorized checks were written for the same amount as the Clerk-Treasurer's regular net monthly payroll check; however, these amounts were generally not recorded in the Village's subsidiary expenditure records or included in the Clerk-Treasurer's year-end wage reporting statements (W-2s).⁶

- The Clerk-Treasurer issued 12 unauthorized checks, payable to the United States Treasury, totaling \$4,950. In the memo section of most of these checks, the Clerk-Treasurer wrote her spouse's social security number and a reference to the personal income tax 1040 form for 2004. It appears that these checks represent installment payments toward the Clerk-Treasurer's and/or her spouse's personal Federal income tax liability. No vouchers were on file to support these payments and they do not appear to be for a valid Village purpose.

It appears that the Clerk-Treasurer also took advantage of weaknesses in the internal control structure at the Village to misappropriate \$9,215 in cash receipts handled as part of her responsibilities. Based on our review of available cash receipt records and other supporting documentation, it appears that the Clerk-Treasurer received but did not deposit \$4,272 in real property taxes, \$1,278 in permit/license fees⁷ and \$2,100 from the sale of a Village vehicle. In addition, for fiscal years 2010-11, 2011-12 and 2012-13, the Clerk-Treasurer's records indicate that her personal Village property taxes totaling \$1,565 had been paid. However, we could find no evidence of such payments in the deposit records furnished to us by the bank.⁸

⁵ We reviewed the Board minutes and all adopted budgets for our audit period and found no evidence that the Board formally set the salaries or wage rates to be paid to any Village officials and employees. The Clerk-Treasurer's budgeted salary was obtained from the Clerk-Treasurer's personal services line item in the budgets (A1325.1). Although her budgeted salary doubled in 2012-13 from the previous year, we noted that the columns in the 2012 - 13 budget that show the dollar change and percentage change from the previous year for line item A1325.1 both showed zero changes. According to the former Mayor, the Clerk-Treasurer prepared the budgets.

⁶ Based on copies of W-2s found on file

⁷ Fees collected for 28 building permits, peddler permits and fish cleaning station licenses.

⁸ We reviewed copies of all checks included in the Village's deposits and identified the source/purpose of all the payments. We did not identify any check payments for the Clerk-Treasurer's real property taxes. From June 1, 2010 through May 31, 2013, the Clerk-Treasurer deposited a total of \$517 in cash and coins into the Village's bank accounts. Based on the amounts of the individual cash deposits and the available cash receipts records, we determined that these cash deposits were attributable to revenue sources other than the Clerk-Treasurer (for example, receipts from other tax payers or for the issuance of building permits).

In addition, our review also disclosed some questionable purchases made by the Clerk-Treasurer of items costing \$1,405 and some questionable reimbursements paid to the Clerk-Treasurer totaling \$319. These purchases and reimbursements relate to an office supply store credit account that the Clerk-Treasurer established in the Village's name. From December 2010 through December 2012, the Clerk-Treasurer purchased equipment and supplies totaling \$4,747 using the Village's credit account with the office supply store. A review of the payment history shown on monthly statements from the office supply store and other available records disclosed that, of the \$4,747 in payments made on the Village's account, \$4,032 were made with Village money and \$652 was paid by the Clerk-Treasurer from her personal bank account. We were unable to determine the source of two payments totaling \$63. The payments made by the Clerk-Treasurer out of her personal bank account indicate that the Clerk-Treasurer used the office supply store account for personal purchases. It appears that this enabled her to inappropriately take advantage of the Village's tax exempt status for her personal purchases. Due to a lack of sufficient documentation, we were unable to ascertain the purpose of all the purchases in order to determine which ones were made for appropriate Village uses and which ones were made for the Clerk-Treasurer's personal use.⁹ However, we were able to determine the following:

- The Clerk-Treasurer purchased items costing \$1,405 that were not authorized by the Board. We found no indication that the following assets were turned over to the Town after the Village dissolved on June 1, 2013:

Table 2: Unauthorized and Unaccounted For Purchases		
Month Purchased	Items	Cost
January 2010	Computer and Software	\$878
February 2012	Soda-Making Machine and Accessories	\$150
April 2012	E-Reader with Service Contract	\$219
May 2013	Antivirus Software and Computer Accessories	\$158
	Total	\$1,405

Both the former Mayor and a former Board member told us the Board did not authorize the purchase of the computer and software, soda-making machine or the E-reader. Subsequent to our audit fieldwork, the Clerk-Treasurer admitted that she used Village funds to purchase the soda making machine and E-reader for her personal use and that these items, along with the computer, are still at her home. In addition, the Mayor told us that the Board did not authorize the purchase of the antivirus software and computer accessories, which the Clerk-Treasurer purchased on May 30, 2013 – just two days prior to the Village dissolution date.

- On two occasions, the Clerk-Treasurer submitted vouchers asking for, and she received, reimbursement for items totaling approximately \$319 that had been purchased on the Village's office supply store credit account. Therefore, it appears that the Clerk-Treasurer may have been reimbursed for items the Village had already paid for.

On February 13, 2014, subsequent to the end of our fieldwork, the Clerk-Treasurer signed a statement admitting to making unauthorized payments to herself, taking cash payments,

⁹ For the most part, the purchases were for office supplies and equipment, which could have been used for either Village or personal purposes.

changing the budget to give herself a raise in pay and using Village funds to purchase items for her personal use. She also admitted to altering the records in order to conceal inappropriate payments from the Board. We have referred the findings from this examination to the appropriate law enforcement authority.

Recommendations

1. The Town Board should consult with the Town's attorney and take the appropriate steps to recover any misappropriated moneys and assets from the Clerk-Treasurer.
2. The Town Board should consult with the former Village's insurance agent to determine if the Village had employee bonding and whether the Town can submit a claim to recover all or a portion of, the loss.

We hope you find this information useful. If you have any questions on the scope of our work, please feel free to contact Rebecca Wilcox, Chief Examiner of the Syracuse Regional Office at (315) 428-4192.

Sincerely,

Gabriel F. Deyo

APPENDIX A

METHODOLOGY

The objective of our examination was to determine if the Clerk-Treasurer properly accounted for the Village's cash receipts and disbursements for the period June 1, 2009 through May 31, 2013. Our examination included the following procedures to gather relevant evidence concerning our stated objective:

- We interviewed the former Mayor and other former Village officials to gain an understanding of the internal controls for cash receipts and disbursements.
- We reviewed available Village Board minutes from January 2010 through May 2013.
- We examined the annual budget adopted by the Village Board for each of the fiscal years during our audit period.
- We examined the bank statements and canceled checks for all Village bank accounts for the period June 2009 through June 2013.
- We reviewed all bank transfers during our audit period, totaling \$878,674, to verify moneys transferred out of Village bank accounts were transferred into other Village bank accounts.
- We examined the composition of all deposits (excluding transfers) made into Village bank accounts, totaling \$934,678 and traced each deposit to available cash receipt records or other supporting documentation to identify the specific receipts that made up each deposit.
- We traced all 348 non-payroll checks from the Village's general fund bank accounts for the period June 2011 through April 2013, totaling \$357,899, to copies of canceled checks and then to vouchers to determine if the payments were authorized, supported and for appropriate Village purposes.
- We traced all 199 payroll checks, totaling \$85,257, shown on the Village's T&A payroll checking account statements for June 2011 through May 2013 to canceled checks and then to vouchers and other available records to determine if amounts paid were authorized by the Board and supported by time records (as necessary).
- We examined 157 copies of canceled checks made payable to the Clerk-Treasurer, totaling \$121,218, during our audit period and traced them to available supporting documentation to determine if the payments were supported and authorized by the Board.
- We traced from available cash receipt records and other evidence of moneys received (e.g., payments listings from the State and County; records of building and peddler permits and fish cleaning station licenses issued by the code enforcement officer) to deposits made to Village bank accounts to determine if all moneys collected by or remitted to the Clerk-Treasurer had been deposited.

- We traced from property tax collection records and other evidence of tax moneys collected¹⁰ to deposits in Village bank accounts to determine if all property taxes collected by the Clerk-Treasurer had been deposited into Village bank accounts.

We believe that the evidence obtained through these test procedures provides a reasonable basis for our findings and conclusions based on the objective of our examination.

¹⁰ For the 2011 and 2012 tax collection periods, we traced from the paid tax collection reports generated by the Clerk-Treasurer to deposits. For the 2010 tax collection period, we were not provided with tax collection records by the Clerk-Treasurer so we obtained tax records from the State Office of Real Property Services and the report of properties relieved for non-payment submitted to the Oswego County Office of Real Property Taxes by the Clerk-Treasurer to determine which properties had been credited as being paid.