



Village of Old Brookville Cash Receipts

Report of Examination

Period Covered:

January 1, 2014 – July 31, 2015

2015M-286



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2016

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 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 Old Brookville, entitled Cash Receipts. 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 Village of Old Brookville (Village) is located in the Town of Oyster Bay in Nassau County. The Village has a population of approximately 2,100 and is governed by an elected Board of Trustees (Board), which consists of a Mayor and four Trustees. The Board is responsible for the Village's overall financial management, including establishing appropriate controls over financial operations. The Mayor is the Board's presiding officer and the Village's chief executive officer. The Mayor and other administrative staff are responsible for overseeing and managing the Village's daily operations. The Clerk-Treasurer (Treasurer) is the chief fiscal officer and custodian of Village funds. The Treasurer is responsible for maintaining a record of all receipts, expenditures and account balances, and for collecting, disbursing and investing Village funds.

The Village provides residents with various services, including general administration, police protection, building code enforcement and a justice court. These services were funded primarily through real property taxes and departmental income totaling approximately \$4.5 million for the 2014-15 fiscal year. The Village's 2014-15 expenditures totaled about \$4.2 million, and its budgeted appropriations for 2015-16 total \$4.6 million.

The Village operates a police department (Department) which provides police protection and services to the Village and also the Villages of Mill Neck, Brookville, Upper Brookville, Matinecock and Cove Neck under a police protection contract. The Department's 2014-15 expenditures totaled about \$9.1 million and its budgeted appropriations for 2015-16 totaled \$10.6 million. The Department collected \$351,709 in cash receipts for the 2014-15 fiscal year. These receipts were composed of money collected for accident reports, alarm licenses, police fees and forfeitures.

Objective

The objective of our audit was to review the Village's cash receipts practices. Our audit addressed the following related question:

- Did the Board ensure that cash receipts were properly collected, recorded and deposited?

Scope and Methodology

We examined the Village's cash receipts practices for the period January 1, 2014 through July 31, 2015. We extended our review of cash receipts practices through August 7, 2015 to review cash receipts collected by the Assistant Village Clerk while the Treasurer was not available.

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 Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they plan 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 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.

Cash Receipts

The Board and Village management are responsible for establishing an internal control system over cash receipts so that Village resources are properly collected, safeguarded and accounted for. It is important for the Board to adopt policies and procedures to help ensure that all cash receipts are deposited within 10 days as required by New York State Village Law (Village Law) and are properly documented, recorded and reconciled with bank statements and accounting records. In addition, Village officials must adequately segregate employees' financial duties so that one individual does not control all aspects of financial transactions. When it is not practical to segregate duties because of limited resources, Village officials should routinely review and monitor the work of employees with incompatible financial duties. To ensure that money is properly accounted for, Village officials should issue duplicate pre-numbered cash receipts to payers when collecting cash. Receipts should be retained along with other adequate supporting documentation to help ensure transactions are traceable from the point of collection to the accounting records and are deposited intact¹ and in a timely manner.

The Treasurer collects cash receipts for all Village services, such as tax receipts, permits, Village Clerk fees and franchise fees. A police clerk at the Police Department (Department) collects fees for accident reports, alarm licenses, proceeds from specialized police details and miscellaneous police revenues. The police clerk transfers cash receipts to the Treasurer for deposit at a later date. The Treasurer collected and deposited \$9,293,220 in total receipts during our audit period.² We examined 728 receipts totaling \$3,936,470 and found that they were not always deposited in a timely manner. Further, Village officials did not always issue duplicate receipts when collecting moneys.

Timeliness of Deposits – Village officials have no oversight or monitoring procedures in place to ensure that deposits are made within 10 days, as required by Village Law. The Treasurer deposited Village receipts as infrequently as one to two times per month, as detailed below.

- The Treasurer deposited 52 property tax receipts totaling \$287,957 between 11 and 21 days after receiving them.

¹ Intact means in the same order and form (i.e., cash or check) in which they were received.

² Itemized deposit slips totaled \$7,126,966 in property tax receipts, \$756,679 in accident reports and alarm licenses collected at the police department, and \$1,409,576 in permits, clerk fees and franchise fees.

Seventeen additional property tax receipts totaling \$90,442 did not have the dates of receipt indicated on the tax bills; therefore, Village officials have no assurance that these receipts were deposited in a timely manner.

- The Treasurer deposited 77 receipts totaling \$232,942 for items including permits, fines and vendor licenses between 11 and 31 days after receiving them. For example, the Treasurer held a check for \$40,927 for building permit fees for 31 days before depositing it in the Village's bank account.
- The Department collected and transferred 261 receipts totaling \$2,043,990 to the Treasurer for recording and deposit. We found 67 receipts totaling \$394 were deposited between 11 and 56 days after the Department collected them. The Department held 46 of these receipts totaling \$341 between 11 and 56 days before transferring them to the Treasurer. The Treasurer held 39 of these receipts totaling \$162 between 11 and 20 days before depositing them. For example, the Department held \$50 cash for an alarm permit for 15 days before transferring it to the Treasurer. The Treasurer held the money for an additional 20 days before depositing it. By the time the money was deposited, it had been held a total of 35 days after it was originally collected.
- The remaining 194 receipts totaling \$2,043,596 were collected at the Department without a press-numbered receipt. As a result, Village officials have no way of determining how long they were held by the Department. We reviewed the Treasurer's cash receipts log and found that seven receipts totaling \$27,524 were held by the Treasurer between 11 and 26 days before deposit. The Treasurer deposited the remaining 187 receipts totaling \$2,016,072 within 10 days. However, the Department may have held these receipts longer than the limit established by Village Law.

Press-Numbered Receipts – Neither the Treasurer nor the police clerk issued duplicate receipts for payments received in the mail or by check. While the Treasurer maintains a cash receipts log that notes the date, payee, amount and form of payment, this log is not periodically reviewed and is not a sufficient alternative to issuing press-numbered receipts for all transactions. We found the following discrepancies during our review of receipts:

- The Treasurer did not issue press-numbered receipts for 134 Village receipts totaling \$317,235. The Treasurer did not retain supporting documentation to verify whether the

amounts received were accurate for 23 of these receipts totaling \$14,041. The majority of the moneys collected were for photocopies of building plans and certificates of occupancy. The Treasurer told us that the Village does not retain any documentation for these types of receipts.

- The Department did not issue press-numbered receipts for 194 receipts totaling \$2,043,596. For example, a \$5,475 check received for supplemental police protection during commercial filming in the Village was never receipted. As a result, Village officials have no information concerning when the Department collected this payment and only know that the Department transferred the amount to the Treasurer by referencing the Treasurer's manual cash receipt log.³
- While reviewing Department receipts for accident reports and alarm licenses, we identified two deposits totaling \$3,877 that contained cash that was not transferred intact from the police clerk to the Treasurer. One deposit, containing \$80 cash, had press-numbered receipts totaling \$132 cash, resulting in a difference of \$52. The other deposit, containing \$145 cash, had press-numbered receipts totaling \$142, resulting in a difference of \$3. The remaining amounts were payments made with checks. The police clerk told us that she has retained extra cash at the Department to provide change when someone pays with cash.

These discrepancies occurred because the Board has not clearly communicated appropriate methods to collect, record and deposit cash receipts by adopting and disseminating a comprehensive cash receipts policy. As a result, the Village did not have adequate internal controls over its cash collections. Also, the Treasurer's duties related to cash receipts were not adequately segregated, which resulted in the Treasurer performing incompatible duties such as collecting cash, recording receipts and preparing bank deposits. The Board did not mitigate this risk by ensuring cash collected was reconciled against collections recorded.

Because Village personnel do not deposit receipts in a timely manner or record the collection of all receipts in a press-numbered duplicate receipt book that is routinely reviewed by an individual outside of the collection process, the Village has an increased risk that cash receipts could be lost, stolen or misappropriated without detection.

³ See Timeliness of Deposits finding.

Recommendations

The Board should:

1. Develop and adopt written policies and procedures for collecting, processing, recording and depositing cash receipts.
2. Ensure that the Treasurer's duties are adequately segregated or implement compensating controls such as increased supervisory review of the Treasurer's work.
3. Ensure that the Treasurer deposits all cash receipts collected on a timely basis, including those transferred from the Department.
4. Ensure that the police clerk transfers all cash receipts collected to the Treasurer on a timely basis.
5. Ensure that the Treasurer and the police clerk issue duplicate receipts for all moneys collected, including those collected at and from various Village departments.
6. Require the Treasurer and the police clerk to deposit cash collected in the same form and amount as received.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



Village of Old Brookville

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January 6, 2016

Mr. Ira McCracken, Chief Examiner
Office of the State Controller
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250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

RE: Village of Old Brookville – Cash Receipts Report of Examination

Dear Mr. McCracken:

I would like to thank your audit team for the time spent auditing the Village's cash receipts, reviewing our related procedures and developing recommendations for improvement. Please consider this letter as the Village's response to the findings and recommendations in the Draft Cash Receipts – Report of Examination for the period of January 1, 2014 through July 31, 2015.

While I am pleased to learn that all audited cash receipts (728 receipts totaling \$3,936,470) were verified as being deposited in the Village's bank accounts without exception, the Village agrees with the reports finding and recommendation that duplicate pre-numbered cash receipts are sometime not issued by either the Treasurer or the Police Clerk and that for all monies collected, a receipt must be issued.

Further, the Village agrees that internal controls should be strengthened to ensure that cash collected is reconciled against collections recorded and deposited and also provide for compensating supervisory review. This will be accomplished through developing and then complying with written policies and procedures for collecting, processing, recording and depositing cash receipts. As part of this process, entries to a cash receipts subsidiary ledger or an equivalent record will be reviewed by a village official not involved in the cash collection and recording process as well as by a police supervisor (for Police Department receipts) to assure that monies received have been recorded and issued receipts.

While most cash deposits were made on a timely basis, the Village agrees with the finding that some receipts were held in house beyond the 10 day deposit period and that there is a lack of supervisory review over this aspect of the Treasures responsibilities. Going forward, the timeliness of deposits will be verified by a Village official. Overall, these internal control enhancements will provide for increased supervisory oversight of both the Police Clerk and the Village Treasurer.

Yours truly,

Bernard D. Ryba
Mayor – Village of Old Brookville

Cc: Board of Trustees
Village Attorney
Chief – Old Brookville Police Department

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed inquiries and observation of Village staff and selected cash receipts records and reports for the period July 1, 2014 through July 31, 2015. We extended our review of cash receipts operations through August 7, 2015. Our audit included the following procedures:

- We interviewed Village officials and key personnel to determine procedures in place for the collection and receipt of Village and police fees and the deposit of cash received in the Village and Department.
- We judgmentally selected three months of bank statements (April 2014, March 2015 and July 2015) and vouched all cash receipts deposited to original source documentation, where available. We reviewed all property tax receipts, Village Clerk fees and police revenues received and deposited on these statements. We specifically chose these three months because each month had a larger than average amount of receipts to review in one of the three areas reviewed: April 2014 had a large amount of Village Clerk fees, March 2015 had a large amount of police fees and July 2015 had a large amount of tax receipts because annual Village tax collections were due on June 30, 2015.
- We reviewed receipts and supporting documentation, including the Treasurer's cash receipts log, to determine if Village payments were processed with press-numbered receipts and were deposited intact and in a timely manner. We reviewed 713 receipts totaling \$3,882,233 which included property tax payments, general Village receipts (such as permit fees and false alarm fines) and receipts received at the Department that were subsequently transferred to the Village for deposit by the Treasurer.
- We traced an additional 15 receipts totaling \$54,237 from original source documentation, such as permit applications and false alarm notifications, to cash receipt logs and bank statements to verify that payments were actually deposited into Village accounts. We selected 10 of these receipts randomly from a list of permits (such as building, tree, sign, film, etc.) issued during the audit period. We selected five receipts sequentially from a stack of false alarm notifications provided to Village Hall from the Department.
- During the above tests, we reviewed property tax receipts, press-numbered receipts issued by the police clerk and the Treasurer, the Treasurer's manual cash receipts log, bank statements, deposit slips and supplemental documentation provided with receipts.

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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