

OFFICE OF THE NEW YORK STATE COMPTROLLER



DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

Village of Savona Board Oversight

Report of Examination

Period Covered:

June 1, 2013 — October 5, 2015

2015M-328



Thomas P. DiNapoli

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State of New York

Office of the State Comptroller

Division of Local Government and School Accountability

October 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 of Trustee 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 Savona, 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 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*



**State of New York
Office of the State Comptroller**

EXECUTIVE SUMMARY

The Village of Savona (Village) is governed by an elected Board of Trustees (Board), which comprises four Trustees and a Mayor. The Mayor is the Village's chief executive officer responsible for the day-to-day management of the Village under the direction of the Board. The Clerk-Treasurer who is appointed by the Mayor, is the Mayor's spouse and is responsible for maintaining custody of all Village money, maintaining the accounting records, preparing financial reports, billing and receiving water rents and preparing and signing checks, including payroll checks. The Clerk-Treasurer is assisted by a Deputy Clerk-Treasurer in performing her duties.

The Village's 2015-16 fiscal year budgeted appropriations for the general and water funds totaled \$551,715, funded primarily by real property taxes, sales tax and user fees.

Scope and Objective

The objective of our audit was to examine the Board's oversight of Village activities for the period June 1, 2013 through October 5, 2015. We extended our scope back to June 1, 2010 to review credit card purchases and the Mayor's reimbursement claims. Our audit addressed the following related question:

- Did the Board provide adequate oversight of Village financial operations to safeguard Village assets?

Audit Results

The Board did not adequately oversee the Village's financial operations, sufficiently segregate financial duties, implement compensating controls to mitigate risks or develop clear and adequate policies and procedures. This resulted in a weak control environment subject to abuse by the Clerk-Treasurer and Mayor. Specifically, the Board approved the Mayor's appointment of his wife as Clerk-Treasurer and allowed him to directly supervise her, which violated the Village's employee handbook and allowed them to take advantage of their positions for personal gain. The Clerk-Treasurer was paid at various salaries and hourly rates for unsubstantiated hours that were often logged while at home on nights and weekends. She also received more than \$21,000 for performing duties for ancillary positions which were not Board appointed and which would be included within the scope of her Clerk-Treasurer duties and would not require further compensation. In addition, she manipulated her leave accrual balances. Further, the Board did not ensure that the Mayor's credit card purchases or reimbursement claims were for Village purposes. As a result, the Mayor used the Village credit card to make personal purchases of cigarettes, soda and food totaling \$1,885 and questionable purchases totaling \$4,183 and submitted

unsupported, false, inaccurate and unfounded mileage and purchase reimbursement claims totaling \$1,844 in an attempt to offset these inappropriate purchases.

The Board did not adequately audit all claims. As a result, we reviewed 158 claims totaling \$206,539 and found 25 claims (16 percent) totaling \$3,517 that did not include itemized invoices or receipts. The Board also abdicated their fiduciary responsibility by adopting a resolution allowing the Clerk-Treasurer to pay claims prior to their audit that, “included any type of bill that will add extra interest or fees over and above the actual statement.” In doing so, the Board’s ability to identify inappropriate expenditures was severely diminished and allowed for the Mayor’s personal usage of the credit card. Further, the resolution’s intended purpose was unsuccessful in that the Village incurred \$259 in late fees and finance charges on its credit card. Finally, the Board did not perform the required annual audit.

Comments of Local Officials

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 planned to take correct action.

Introduction

Background

The Village of Savona (Village) is located in the Town of Bath in Steuben County and has approximately 825 residents. The Village provides various services to its residents including street maintenance and repair, general governmental support and water services. The Village's 2015-16 fiscal year budgeted appropriations for the general and water funds totaled \$551,715, funded primarily by real property taxes, sales tax and user fees.

The Village is governed by an elected Board of Trustees (Board), which comprises four Trustees and the Mayor. The Board is the legislative body responsible for oversight and general management of Village financial operations. The Mayor is the Village's chief executive officer, responsible for the day-to-day management of the Village under the direction of the Board. The Mayor is also the Clerk-Treasurer's spouse.

The Clerk-Treasurer, who is appointed by the Mayor, is the chief fiscal officer and is responsible for maintaining custody of all Village money, maintaining the accounting records, preparing financial reports, billing and receiving water rents and preparing and signing checks. The Clerk-Treasurer also prepares and distributes payroll. The Clerk-Treasurer is assisted by a Deputy Clerk-Treasurer (Deputy) in performing her duties. For the 2014 calendar year, the Village paid 17 employees and elected officials gross wages totaling \$196,116.

Objective

The objective of our audit was to examine the Board's oversight of Village activities. Our audit addressed the following related question:

- Did the Board provide adequate oversight of Village financial operations to safeguard Village assets?

Scope and Methodology

We examined the Board's oversight of selected Village operations for the period June 1, 2013 through October 5, 2015. We extended our scope back to June 1, 2010 to review credit card purchases and the Mayor's reimbursement claims.

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 planned to take correct 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-Treasurer's office.

Board Oversight

The Board is responsible for overseeing the Village's financial operations and safeguarding its resources. This requires the Board to establish and enforce clear and adequate policies and procedures over financial operations. In addition, the Board must authorize pay rates and benefits, audit the records of the Clerk-Treasurer and Justice Court annually and audit claims prior to payment¹ to ensure that expenditures are for valid Village charges. Furthermore, the Board should assign job duties related to the Village's financial operations so that no one individual has duties related to all phases of the financial processes, whenever possible. When separation of duties is not possible, compensating controls should be developed.

The Board did not adequately oversee the Village's financial operations by developing clear and adequate policies and procedures, sufficiently segregating financial duties or implementing compensating controls to mitigate the risks. As a result of this weakened control environment, both the Clerk-Treasurer and the Mayor were able to abuse their fiduciary duties. The Clerk-Treasurer was paid for unsubstantiated hours that were often logged while at home on nights and weekends. In addition, she manipulated her leave accrual balances. Further, the Board did not adequately audit claims to ensure that they were for Village purposes. As a result, the Mayor used the Village credit card to make personal purchases of cigarettes, soda and food and submitted mileage and purchase reimbursement claims that were unsupported, false, inaccurate and unfounded, without being detected. The Board also abdicated its fiduciary responsibility by allowing the Clerk-Treasurer to pay claims prior to its audit and did not perform the required annual audit.

Control Environment

An important component of any system of internal controls is the control environment or "tone at the top." The Village's control environment is significantly influenced by the Board, particularly in relation to the Board's involvement and scrutiny of financial activities and operations. A fundamental part of setting a proper tone at the top requires the Board to demonstrate a concern for good management and to follow appropriate procedures, such as segregating financial duties and appropriately monitoring claims. When the control environment is strong, there is an expectation that everyone, including top management, will conform to established controls and uphold the public's trust.

¹ New York State Village Law (Village Law) provides limited exceptions for making payments prior to audit for items such as public utility services, postage and freight. These types of claims must be listed on the following month's abstract and audited.

The Board did not adequately oversee the Village's financial operations, which resulted in a weak control environment, subject to abuse. Specifically, the Board approved the Mayor's appointment of his wife as Clerk-Treasurer and allowed him to directly supervise her, which violated the Village's employee handbook. The Board did not segregate the financial duties of the Clerk-Treasurer or provide compensating controls, such as ensuring that someone other than the Mayor, such as a Board member, oversaw her work or approved her payroll and leave. Further, the Board did not require the Clerk-Treasurer to provide adequate documentation and did not sufficiently audit claims to ensure that the Mayor's credit card purchases and reimbursement claims were for Village purposes. This lack of control allowed the Mayor and the Clerk-Treasurer to make inappropriate purchases and claims.

As a result of these weaknesses, the Clerk-Treasurer was paid at various salaries and hourly rates for unsubstantiated hours that were often logged at home on nights and weekends. In addition, she manipulated her leave accrual balances by crossing out leave charges on her time sheets. (See Segregation of Duties and Conflict of Interest sections.) The Mayor used the Village credit card to make personal purchases of cigarettes, soda and food and submitted unsupported and inaccurate mileage and purchase reimbursement claims in an attempt to offset these inappropriate purchases. (See Mayor's Credit Card Purchases and Reimbursement Claims section.)

Mayor/Clerk-Treasurer Conflict of Interest – To assure ethical conduct, Village officials should adhere to the standards set by General Municipal Law (GML) and locally adopted ethics policies. Officials should avoid, to the extent possible, even the appearance of self-interest, partiality or economic impropriety. GML contains provisions of law that relate to conflicts of interest of municipal officers and employees. GML does not require a board member to abstain from appointing, supervising or voting on salaries of relatives who are municipal officers or employees. However, GML requires a board to adopt a code of ethics setting forth guidance for its officers and employees on the standards of conduct reasonably expected of them.

The Board adopted a code of ethics and employee handbook, which provides such guidance. The code of ethics states that an employee shall be free from influence of a family member, perform their duties in a manner that does not violate the public's trust and not secure unwarranted privileges or exemptions for himself or others. Although, the employee handbook allows family members to work together at the Village, it prohibits a family member from being directly supervised by another family member.

Pursuant to Village Law, and subject to the approval of the Board, the Mayor appoints all department and nonelected officers and employees, including the Clerk-Treasurer. The Board approved the Mayor's appointment of his wife as the Clerk-Treasurer for a five-year term that began April 1, 2013. As a Board member, the Mayor approved her salary and benefits by voting to adopt the budget, which included the salary schedules for her position. Village Law also states that the Clerk's duties will be carried out under the direction and control of the Mayor.

The marital relationship between the Mayor and the Clerk-Treasurer put their duties in conflict. The Clerk-Treasurer reports directly to her husband. He is also responsible for approving her time sheet, including the use of leave time. Having the Mayor supervise his wife is in violation of the Village's employee handbook and, at a minimum, gives the appearance of self-interest, partiality and economic impropriety. In addition, such a relationship between the chief executive officer and the chief financial officer presents a serious weakness in internal controls. Rather than the Mayor acting as an independent check on financial activities, the close personal relationship allowed an environment where impartial scrutiny was lacking and collusion becomes a possibility. For example:

- The Clerk-Treasurer had multiple titles, which could involve overlapping hours and duties. (See Clerk-Treasurer Duties section that follows.) The Clerk-Treasurer's monthly multi-page time sheets² documented that she frequently worked from home on evenings, early mornings and weekends with no prior approval or support for the work completed. The time sheet for the period September 13, 2014 through October 10, 2014 had entries in which the Clerk-Treasurer documented hours ranging from 5:30 p.m. to 2:00 a.m. and between three and seven hours on Saturdays and Sundays.
- The Clerk-Treasurer also recorded multiple absences during open office hours without charging leave and crossed-out or reduced recorded leave on her time sheet. The Clerk-Treasurer noted on her time sheet that she made the adjustments because she took phone calls pertaining to Village business during scheduled leaves. However, there is no way to verify this information. Further, leave requests were not prepared or approved.

² The Clerk-Treasurer submitted a monthly time sheet for her Clerk-Treasurer position with no hours detailed, a monthly time sheet for her water account clerk position with total hours worked per day, a daily time record that detailed the in and out times she worked each day, and a spreadsheet that detailed in and out times for the office, lunch, meetings and home.

Clerk-Treasurer Duties – Village Law states that the duties of the Clerk include acting as clerk to all village boards. Village Law also states that the Treasurer is the chief fiscal officer and should have custody of all Village money.

The Clerk-Treasurer received salary for multiple positions. The Clerk-Treasurer's Board meeting minutes for planning and zoning indicated that during the last two fiscal years she worked 2.8 hours as the planning board secretary and was paid \$1,776 and received \$1,752 as the zoning board secretary, even though no meetings were held. The Clerk-Treasurer also received an hourly rate of \$11.00 during 2014-15 and \$10.35 during 2013-14 for performing the duties of the water account clerk. In 2014, she received approximately \$9,000 for performing the duties of water account clerk. Our review of the Clerk-Treasurer's monthly time sheets and supporting documentation detailed that the Clerk-Treasurer generally worked between eight to 27 hours per week completing water account clerk duties.

There was no indication that the Board appointed her to any of these ancillary positions. Further, the duties for these positions would be within the scope of her Clerk-Treasurer duties and would not require further compensation. The lack of appointment by the Board makes her assumption of multiple positions less than transparent to the public. Further, the hours for the Clerk-Treasurer position are not clearly defined. The employee handbook stated it was 32 hours weekly, her posted office hours were 26.5 hours a week and, according to the Board-adopted standard workday, she should work 30 hours each week. For a summary of the total amount of salary paid for these ancillary positions, see Figure 1.

Figure 1: Clerk-Treasurer's Ancillary Position Wages

Position	2013-14	2014-15	Total
Secretary to Planning Board	\$876	\$900	\$1,776
Secretary to Zoning Board	\$864	\$888	\$1,752
Registrar Vital Statistics	\$276	\$288	\$564
Water Account Clerk	\$8,261	\$8,828	\$17,089
Total	\$10,277	\$10,904	\$21,181

Segregation of Duties – Effective internal controls ensure that financial duties are adequately segregated so that an individual does not control all phases of a transaction. By separating tasks and responsibilities, such as receiving, recording, depositing, disbursing and reconciling assets, management can reduce the risk that errors, waste or wrongful acts could occur and go undetected. If limited resources make it difficult to segregate incompatible duties,

Village officials must implement compensating controls, such as designating a Board member to regularly review journal entries, bank reconciliations, bank statements and canceled checks, and review and certify the payroll.

The Board did not sufficiently segregate the financial duties of the Clerk-Treasurer or establish adequate compensating controls. The Clerk-Treasurer performed all aspects of the Village's financial and recordkeeping duties, including receiving and disbursing money, processing and distributing payrolls, billing and recording water rents, maintaining the Village's accounting records and preparing reports. Although the Village employed a Deputy to assist the Clerk-Treasurer, the Deputy was not assigned tasks to ensure a proper segregation of duties or mitigate the risks associated with the Clerk-Treasurer performing all financial tasks. Further, the Mayor's certification of the abstract of claims approved for payment, a key compensating control, was compromised by the spousal relationship between the Mayor and the Clerk-Treasurer.

Due to the lack of segregation of duties and previously mentioned conflict of interest, we reviewed the Clerk-Treasurer's records and reports for completeness and accuracy. We found that, generally, the Clerk-Treasurer's records and reports were accurate, except for the water rents receivable account where we provided guidance on how to properly record transactions in the accounting software.

Mayor's Credit Card Purchases and Reimbursement Claims – The Board may authorize Village officials and employees to use credit cards for approved, actual and necessary Village expenditures. When doing so, the Board should establish a credit card policy that describes the appropriate use of credit cards and the procedures for monitoring card use. It is important that the policy identify the individuals who are authorized to use the credit cards, describe the types of purchases allowed and stipulate the documentation required to support the purchases.

The employee handbook requires staff members to submit an approved mileage reimbursement form for mileage incurred when using their vehicles for Village business. However, the expenses of a local official incurred in commuting to and from the place where his or her official duties are normally performed are generally personal expenses.

Prior to March 19, 2015 the Board had not adopted a credit card policy to provide guidance to Village officials and staff in possession of a Village credit card. After weaknesses over credit card purchases, such as a lack of supporting documentation, were identified by a certified public accountant (CPA) during the 2013-14 audit the Board drafted

a policy that required only one credit card to be issued in the Village's name for the Clerk-Treasurer.³

We reviewed credit card activity and the Mayor's reimbursement claims for the period June 1, 2010 through May 31, 2015. We found that the Mayor made 224 credit card purchases totaling \$27,051 and that 180 purchases (80 percent) totaling \$6,317⁴ lacked supporting documentation, such as an itemized receipt. We further determined that 130 transactions, totaling \$1,679, were purchases made at gas stations. We were able to obtain and review 33 of the 40 receipts from one of the gas stations and determined that purchases were all personal in nature. Specifically, the Mayor purchased cigarettes, soda and food.

The Mayor began submitting reimbursement claims in April 2013, the same month we first noted personal purchases on his Village credit card. He submitted 15 reimbursement claim vouchers totaling \$2,615, of which \$935 was for purchases he made using his personal credit card or by paying cash and \$1,680 was for mileage. Two purchase reimbursement claims totaling \$208 were supported. Therefore, we question the legitimacy of these claims, considering the fact that the Mayor did not start to submit mileage reimbursement claim vouchers until April 18, 2013, which appears to be two days after he started using the Village credit card for his own personal purchases at a gas station. Generally, his requested mileage reimbursement claims, coupled with two payments by personal checks totaling \$291, offset the amount of his personal credit card purchases during the audit period.⁵

All 13 of the Mayor's mileage reimbursement claims lacked adequate support, such as the date and time of travel, the purpose of the travel, the place of departure and destination. While reviewing the vendors' files, we located a file for the Mayor maintained by the Clerk-Treasurer. The file contained documentation pertaining to the Mayor's personal credit card purchases using the Village credit card for the period June 28, 2014 through August 2, 2014. These purchases were offset by his mileage and purchase reimbursements and a personal check from the Clerk-Treasurer totaling \$221. None of this additional information was provided to the Board for review or approval and it appears that

³ During our fieldwork we found that the Mayor's and maintenance employee's cards were not destroyed but were in the Village's safe.

⁴ Of the 180 purchases totaling \$6,317 lacking supporting documentation, 152 were personal purchases totaling \$1,885 and 28 purchases totaling \$4,432 were questionable. However, we were provided with support for two of the 28 purchases after reviewing the claims. Therefore, 26 purchases totaling \$4,183 remained questionable.

⁵ The exception being a balance of \$69 that the Mayor still owed to the Village for a duplicate reimbursement of \$59 and a \$10 accounting error.

the Clerk-Treasurer's payment on her husband's behalf was made because she had met with the CPA two days prior. In November 2014, another check from the Mayor and Clerk-Treasurer's joint checking account for \$70 was paid to the Village to reimburse the Village for the Mayor's nine personal credit card purchases for the period October 12, 2014 through October 15, 2014.

After the CPA audit, a Board member informed us that the Mayor supplied a spreadsheet that he prepared for the period June 1, 2013 through May 31, 2014 to validate and support his previously submitted mileage reimbursement claims. However, the spreadsheet included trips totaling 5,619 miles with a value of \$2,854, which was significantly more than the 1,193 miles totaling \$620 that were included on the Mayor's claims. Our review of the Mayor's spreadsheet determined that only \$319 of the mileage claimed was legitimate and included the following irregularities:

- The Mayor listed dates for attending two Town of Bath meetings, which did not correspond to the dates of the Town meetings, and he was not listed on either of those meetings' sign-in sheets. Mileage claimed for these two meetings totaled \$43.
- The Mayor's spreadsheet included mileage reimbursement for travel from Corning, his place of employment, to Savona, Bath, and Kanona. Mileage from Corning to Savona is not reimbursable because this mileage would be considered part of the Mayor's daily commute from work to home, which is not for Village business. The Mayor inappropriately claimed 1,141 commuting miles totaling \$577 on his spreadsheet.
- The Mayor's spreadsheet included mileage reimbursement for 850 miles totaling \$436 for travel from Corning to Bath for Steuben County Economic Development (SCED) meetings twice a month, except for January and February 2014. The SCED Chairman could not provide supporting documentation of who attended the 2013 meetings, but he did state that the committee never had two meetings in one month. Furthermore, according to email communications between the SCED Chairman and the Mayor, the Mayor stated that he would not be able to attend the May 2014 meeting, yet the Mayor's spreadsheet included mileage for two SCED meetings in May 2014. We determined that the Mayor's spreadsheet inappropriately included mileage reimbursement for 706 miles totaling \$363 for the extra meeting a month, commuting mileage from Corning to Savona and the May 2014 meeting he did not attend.

- The Mayor also listed 330 trips of seven miles each for completing daily Village checks totaling \$1,179. The Mayor stated that he would travel to the tank site, pump house and Village park and check street lights that were out to make sure buildings were secure because the Village had some vandalism occurrences. He further stated that he hadn't turned in this mileage in the past. We question the legitimacy of the mileage claimed considering the Village is only one square mile in size and there is no support for any of the trips.

The Mayor's remaining 15 trips listed on the spreadsheet claimed mileage reimbursement totaling \$387. However, all but \$14 was unsupported. Due to the irregularities identified above and the fact that the Mayor prepared this spreadsheet after the CPA inquired about his credit card usage, we determined it was questionable.

The lack of Board oversight and the approval of claims without supporting documentation allowed the Mayor to make personal purchases with the Village credit card totaling \$1,885 and questionable purchases totaling \$4,183 and to submit reimbursement claims for mileage and purchases totaling \$1,844 that were unsupported, false, inaccurate and unfounded.

Claims Audit

The Board is required by law to audit and approve all claims against the Village before the Clerk-Treasurer pays them. To properly approve claims for payment, the Board must ensure that all claims contain sufficient documentation to determine the nature of the purchases, that the amounts represent actual and necessary Village expenditures and that the purchases comply with statutory requirements and Village policies. Village Law provides limited exceptions for making payments prior to audit for items such as public utility services, postage and freight. All such claims should be presented on the next abstract for audit.

We found the Board did not adequately audit all claims. We reviewed 158 claims totaling \$206,539 and found 25 claims (16 percent) totaling \$3,517 that did not include itemized invoices or receipts. In addition, two Board members stated that when they received the credit card vouchers for approval, they only received the first page of the statement. Therefore, they were unaware of the nature of the credit card purchases that were made. Although the Board inappropriately adopted a resolution allowing the Clerk-Treasurer to pay claims prior to their audit that "included any type of bill that will add extra interest or fees over and above the actual statement," we found that the Village incurred \$259 in credit card late fees and finance charges.

Without a thorough audit of each claim, there is an increased risk that the Village paid for other inappropriate expenditures.

Annual Audit

Village Law requires that the board annually audit, or cause to be audited by an officer or employee of the village or have an independent public accountant audit the records and reports maintained by the Clerk-Treasurer. This annual audit serves as an important internal control over cash receipts and disbursements by providing independent verification that transactions have been properly recorded and that cash has been properly accounted for. It also provides board members with an added measure of assurance that the financial records and reports contain reliable information on which to base financial decisions.

Similarly, the New York State Uniform Justice Court Act requires a justice, at least once a year, to present his records and docket to the auditing board of the village so the board can examine the records and docket, or have the records and dockets examined and a report thereon submitted to the board by a CPA or a public accountant that the fines therein collected have been turned over to the proper officials of the village or town as required by law.

The Board does not perform, or contract with an independent auditor to perform, an annual audit of the Clerk-Treasurer's and Justice Court's records. Instead, the Board contracts with an independent auditor to perform an audit of the Clerk-Treasurer's records once every five years. Although the Board had the Deputy perform a monthly review of the Justice Court's records, this did not eliminate the Board's responsibility to perform an annual audit of the Justice Court's records.

Without an annual audit, the Board's management oversight authority and ability to effectively monitor the Village's financial operations in a timely manner are significantly diminished.

The Clerk-Treasurer and Mayor were able to abuse their fiduciary responsibilities because the Board failed to establish a strong control environment or provide proper oversight of the Village's financial operations. As a result, we have identified approximately \$25,000 in questionable costs.

Recommendations

The Board should:

1. Take immediate action to strengthen the control environment including:
 - Replacing the Clerk-Treasurer with someone that is independent of the Mayor and all Board members;

- Ensuring that duties in the Clerk-Treasurer's office are segregated properly or providing sufficient mitigating controls when segregation of duties is not possible or practical;
 - Clearly denoting the hours, duties and compensation of the Clerk-Treasurer; and
 - Adopting policies and procedures for payroll that include the submission and approval of a time record to the Board for review.
2. Conduct a thorough and deliberate audit of claims before authorizing them for payment to determine if they are accurate, supported by proper documentation and comply with required statutes and Village policies.
 3. Annually audit the Clerk-Treasurer's and Justice Court's records and reports, or engage the services of an independent public accountant to conduct the audit.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

VILLAGE of SAVONA
15 McCoy Street – PO Box 411
Savona, NY 14879
607-583-2124
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October 5, 2016

Office of the State Comptroller
Division of Local Government and School Accountability
Edward V. Grant Jr., Chief Examiner
110 State Street
Albany, New York 12236

Re: Village of Savona Draft Audit 2015M-328

Dear Mr. Grant

Please accept this letter as our acknowledgment of receiving the Draft Audit Report for the Village of Savona titled Board Oversite covering June 1, 2013 – October 15, 2015. The Board of Trustees has read and accepts the findings outlined in the Draft Audit.

Your findings along with the recommendations will assist the board in establishing procedures that will strengthen the internal controls of the village. The Village Board will submit a Corrective Action Plan to include policy and procedures implemented within the recommendations outlined within the audit.

The Village would like to thank the field auditors for their professionalism displayed during the audit process. Their patience and knowledge was greatly appreciated throughout the audit process.

Sincerely,

Brian C. Scott
Mayor

cc: Thomas Bowes, Village of Savona Attorney
Board of Trustees, Village of Savona
Susette M Harrian, Village of Savona Clerk/Treasurer

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to assess the Board's oversight of the Village's financial activities for the period June 1, 2013 through October 5, 2015. We extended our scope back to June 1, 2010 to review the Village's credit card purchases and Mayor's reimbursement claims. To achieve our audit objectives and obtain valid evidence, we performed the following procedures:

- We interviewed appropriate Village officials regarding the Village's practices related to financial operations and oversight of the Clerk-Treasurer.
- We reviewed Village policies, Board minutes and the Village employee handbook.
- We reviewed the 2014 W-2s to determine if employees were paid in accordance with approved salary schedules. We also reviewed employee time sheets for employees' and supervisors' signatures and to determine if time sheets included detail.
- We randomly selected the months of August and October 2014 and January 2015 to review the Clerk-Treasurer's time records to determine the total number of hours she worked per week and the number of hours that were allocated to the water account clerk.
- We reviewed leave records for the 2013 and 2014 fiscal years to determine if employees received leave in accordance with the employee handbook.
- We interviewed the Clerk-Treasurer and Deputy to gain an understanding of the procedures over cash receipts and disbursements in the Clerk-Treasurer's office.
- We obtained the deposit compositions for the Clerk-Treasurer's bank accounts for the period June 1, 2013 through May 31, 2015 for both the water and general funds. We selected and traced all the general fund deposit compositions for June 1, 2014 through May 31, 2015 to the accounting records and receipts to determine if the Clerk-Treasurer maintained appropriate accounting records in sufficient detail to document collection and to determine if collections were recorded properly. We randomly selected a three month period from the 2014-15 fiscal year and a two-month period from the 2013-14 fiscal year to trace water fund deposit compositions to the water cash receipts and water payment journal.
- We randomly selected the month of October 2014 from the period July 2013 through May 2015 to determine if the Clerk-Treasurer issued receipts with adequate detail for all transactions where other evidence was unavailable and to determine if disbursement were recorded properly
- We performed a cash count of the Clerk-Treasurer's office on June 8, 2015 and performed a cash proof for the period June 1, 2013 through May 31, 2015 on all of the Clerk-Treasurer's bank accounts.

- We traced adopted budgets to control accounts and revenue and appropriation subsidiary ledgers and verified that budget modifications were approved by the Board.
- We judgmentally selected May 31, 2015 to determine if the water rents receivable account reconciled with the customer ledger account balances.
- We randomly selected the month of January 2015 from the period June 2013 through May 2015 and then randomly selected 10 percent of the 169 water customers, or 17, and judgmentally selected 13 water customers that were either Board members or employees of the Village to determine if water rates were computed accurately. In addition, we verified that interest and penalties were imposed per authorization.
- We reviewed the water relevy to determine if unpaid water customers were relieved.
- We ensured that tax-exempt properties were being charged for water services by reviewing the tax-exempt properties per the Village's 2014 tax roll and comparing to the January 2015 billing summary.
- We obtained and reviewed the water adjustments reports for the period June 1, 2014 through May 31, 2015 to determine if water adjustments were properly supported and authorized.
- We obtained and determined if real property taxes levied per the tax warrant agreed to the Board resolution, budget and tax roll. We determined if tax rolls agreed to the control and subsidiary ledger accounts. We determined if the interest and penalty charges were imposed and reviewed the settlement with the County.
- We obtained and reviewed credit card statements for the period June 1, 2010 through May 31, 2015 to determine if all transactions were supported.
- We obtained and reviewed the Mayor's vouchers for the period June 1, 2010 through May 31, 2015 to determine if the vouchers were supported.
- We obtained receipts from one vendor to determine what was purchased with the Village credit card.
- We obtained and reviewed the spreadsheet from the Mayor that was prepared for the period June 1, 2013 through May 31, 2014 to validate and support his previously submitted mileage reimbursement claims.
- We contacted the Town of Bath to obtain the board meeting sign-in sheets for June 2013 and August 2013 board meetings. We also contacted the SCED Director to obtain sign-in sheets for SCED meetings for the period June 1, 2013 through May 31, 2014 to determine if the Mayor attended meetings that he listed on his spreadsheet.
- We randomly selected the months of October 2014, March 2015 and May 2015 from the period July 2013 through May 2015 to determine if claims were properly audited and supported.

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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