

City of Gloversville

City Clerk

DECEMBER 2020



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- City Clerk 2**
 - How Should the City Clerk Properly Account for Fees? 2
 - The Clerk Did Not Always Maintain Adequate Support for Fees Collected. 3
 - The Former Clerk Often Reduced or Did Not Collect Certain Fees . . 3
 - The Former Clerk Did Not Always Make Deposits Intact 5
 - The Council Did Not Provide for a Sufficient Annual Audit of Clerk Records 6
 - What Do We Recommend? 6

- Appendix A – Response From City Officials 8**

- Appendix B – Audit Methodology and Standards 12**

- Appendix C – Resources and Services. 14**

Report Highlights

City of Gloversville

Audit Objective

Determine whether the City of Gloversville (City) Clerk properly accounted for fees.

Key Findings

The current Clerk began properly accounting for fees as of October 1, 2017. The former Clerk did not properly account for fees. The former Clerk:

- Waived fees for 249 certified copies of birth certificates totaling \$2,490 without a valid reason.
- Did not deposit all fees intact and substituted checks and money orders for cash collections.

Key Recommendations

- Collect proper fee amounts for all transactions.
- Deposit collections intact and record all transactions in the accounting system.

City officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Background

The City is located in Fulton County. The elected seven-member Common Council (Council) is responsible for managing operations. The Council appointed a Clerk and deputy clerk. The Clerk serves as the deputy registrar of vital records and the deputy clerk serves as the registrar of vital records. Both the Clerk and the deputy clerk are responsible for collecting fees for a variety of purposes. All fees received are property of the City and State agencies and must be remitted on a monthly basis to the appropriate entities.

The former Clerk resigned in November 2016 and the former deputy clerk was not reappointed in 2017. The Council appointed the current Clerk and deputy clerk in January 2017.

Quick Facts

Former Clerk's Tenure	6.5 Years
2016 Clerk Collections	\$93,027
2017 Clerk Collections	\$111,728
2018 Clerk Collections	\$110,072

Audit Period

January 1, 2016 – November 30, 2018. We extended the scope period back to December 10, 2015 to review 2016 landfill permit sales.

How Should the City Clerk Properly Account for Fees?

A city clerk is responsible for receiving, depositing, disbursing and reporting all fees collected in an accurate and timely manner. This requires maintaining complete and accurate accounting records and ensuring that money received is properly safeguarded, promptly deposited and disbursed to the appropriate parties in a timely manner.

The clerk should issue a duplicate receipt when no other adequate evidence of receipt (e.g., a copy of a license, permit or application) is available. Duplicate receipts should be press-numbered and indicate payment date, payer name, amount, purpose and form of payment (i.e., cash or check). Proper receipts serve as evidence of individual collections and help ensure accounting records are complete and accurate. City officials should verify the reliability of information entered in the accounting system by preparing periodic reconciliations between source documents and system records to help ensure accuracy.

The fee for certified copies of birth certificates may be waived, if requested, for school entrance (kindergarten and pre-school), public relief (welfare benefits),¹ employment certificate (working papers for minors) and veterans benefits.² The clerk should obtain and keep on file an official letter from the appropriate agency stating the need for a free copy. The clerk should also record these transactions, include an explanation of why the fee was waived and maintain the supporting documentation.

The clerk should properly account for all transactions by accurately recording amounts collected in the cash receipts journal and depositing receipts intact (in the same amount and form as received) and timely (generally within three to five business days). Proper accounting and timely deposits help ensure the clerk reports and disburses all fees collected to the city's financial officer and applicable State agencies in an accurate and timely manner.

The City charter³ requires the Council to provide for an independent annual audit of all City accounts. Periodic audits of financial operations should be thorough and when properly performed can provide Council members with an understanding of those operations, which is essential to effective oversight. An audit can help determine whether public money is being properly handled, identify conditions needing improvement and provide necessary oversight of financial operations.

¹ Except for Social Security retirement benefits

² New York State Public Health Law, Section 4173

³ City of Gloversville Charter, Section C-25

The Clerk Did Not Always Maintain Adequate Support for Fees Collected

The former Clerk and former deputy clerk did not always issue press-numbered receipts for fees collected or maintain adequate source documentation to support a collection (i.e., payment date, payer name, amount, purpose and form of payment).

While the former Clerk generally dated and marked available source documents (e.g., applications for certified copies of birth records or building permits) paid for each transaction, these documents generally lacked other necessary information, such as the form of payment, amount, purpose, number of copies requested. The current Clerk continued these practices because she believed that the source documents were sufficient substitutes for receipts.

Effective October 1, 2017, the current Clerk began printing a receipt from the system for each transaction and keeping them on file. The current Clerk also generates, prints and maintains a daily cash report from the system that shows a detailed list of fees recorded.

We reviewed 1,823 collections totaling \$28,126 recorded by either the former Clerk or the current Clerk during our audit period.⁴ The former Clerk recorded 1,104 of these collections totaling \$15,417. Although 84 of these collections (8 percent) totaling \$2,256 were adequately supported, supporting documentation for 970 collections (88 percent) totaling \$12,246 did not contain either the payer, purpose, amount, date received or form of payment, and no documentation was maintained for 50 collections (4 percent) totaling \$915.

The current Clerk recorded 719 collections totaling \$12,709 and 392 of these collections (55 percent) totaling \$5,020, received from October 1, 2017 through November 30, 2018, were adequately supported by printed receipts from the system. However, for the collections received before October 1, 2017, 311 collections (43 percent) totaling \$6,989 were inadequately supported and no documentation was maintained for 16 collections (2 percent) totaling \$700.

When adequate supporting documentation is not maintained for fees collected, City officials cannot be certain that all fees collected are properly recorded in the system, deposited intact and accurately remitted.

The Former Clerk Often Reduced or Did Not Collect Certain Fees

The former Clerk waived 254 fees totaling \$2,595 and reduced 121 fees by \$1,642 without authority (Figure 1). The majority of waived fees totaling \$2,490,

⁴ Refer to Appendix B for details on our sampling methodology.

were for issuing 249 certified copies of birth certificates. However, we were unable to determine whether any of these fees were waived for valid reasons due to the lack of documentation maintained by the former Clerk.

For example, the former Clerk maintained the applications for certified copies and wrote “no charge” on most of them but sometimes included additional notes such as “council,” “cousin,” “UPS driver,” “City employee” or “graduated with him.” The former Clerk did not record these transactions in the system or provide any valid reasons or supporting documentation indicating the authority to waive these fees. These fees should have been collected, recorded in the system and remitted to the Commissioner of Finance.

Further, although the Council established a fee of \$50 for each annual landfill permit,⁵ the former Clerk reduced the fees for 48 landfill permits by a combined total of \$1,230. The fee-reduced permits were issued to City employees or during the second half of 2016. The former Clerk also reduced the fees for 71 dog licenses by a combined total of \$402.

Figure 1: Waived and Reduced Clerk Fees

	Certificates, Permits and Licenses Issued	Authorized Fees to Be Collected	Fees Charged by Former Clerk	Difference
Waived Fees:				
Birth Certificate Fees	249	\$2,490	\$0	\$2,490
Landfill Permit Fees	1	\$50	\$0	\$50
Marriage License Fees	3	\$30	\$0	\$30
Special Event Application Fee	1	\$25	\$0	\$25
Subtotal Waived Fees	254	\$2,595	\$0	\$2,595
Reduced Fees:				
Landfill Permit Fees	48	\$2,400	\$1,170	\$1,230
Dog License Fees	71	\$1,264	\$862	\$402
Birth Certificate Fees	2	\$20	\$10	\$10
Subtotal Reduced Fees	121	\$3,684	\$2,042	\$1,642
Total Waived and Reduced Fees	375	\$6,279	\$2,042	\$4,237

⁵ Council resolution 35-2011 established a landfill permit fee of \$50 for the period January through December each year.

The former Clerk recorded the reduced fees in the system as collected and remitted them to the Commissioner of Finance as part of her month-end process. However, the former Clerk's practice of waiving and reducing fees for services resulted in \$4,237 of lost local share revenue which should have been paid to the Commissioner of Finance.

The Former Clerk Did Not Always Make Deposits Intact

We reviewed all 52 deposits totaling \$16,222 made for two months during the audit period (May and September 2016).⁶ We found that for 16 deposits totaling \$7,160 the former clerk did not deposit collections intact, resulting in collections exceeding deposits by \$92. The composition of cash and checks documented on the validated deposit tickets did not always agree with the amount and type of payment recorded in the system showing that fees were not deposited intact.

Additionally, the former Clerk had one bank account yet separated deposits for fees for certified copies of birth and death certificates from all other collected fees. She identified these deposits by noting "health funds" or "health deposits" on the deposit tickets. Although the validated deposit tickets listed cash, individual checks or money orders and payee names, due to these discrepancies and because the form of payment was missing on supporting documentation, we obtained bank compositions to identify the specific makeup of these deposits.⁷

Total collections recorded in the system for each deposit agreed with the total amount deposited on the bank statements for the months reviewed. However, the bank compositions showed that the former Clerk's recorded cash payments for 16 deposits included \$1,032 more than the amount of cash actually deposited (the deposit tickets showed \$11,117 of cash deposited while the records showed \$12,149 of cash). Further, 13 transactions totaling \$940 were mistakenly recorded as cash payments but actually paid by check or money order. The former Clerk substituted checks and money orders totaling \$92 for recorded cash transactions in the May and September 2016 deposits.

- Checks were deposited for three transactions totaling \$76 that were not recorded in the system. These included a check payment of \$10 for a certified copy of a birth certificate and two check payments totaling \$66 for certified copies of birth and marriage certificates, including \$46 in postage fees.
- The former Clerk did not record \$16 of postage fees from two money orders used to pay fees for certified copies of birth certificates. The fees for the certified copies totaling \$40 were recorded in the system.

⁶ Refer to Appendix B for information on our sampling methodology.

⁷ Bank records that include images of all deposited cash, checks, money orders and the deposit tickets.

In addition, the former Clerk substituted two checks and a money order totaling \$31 for cash in three deposits from January 2016 and April 2016. These payments were for unrecorded transactions⁸ requesting three certified copies of birth certificates. It is unclear whether or not the copies were provided.

When collections are not recorded and deposited intact, and unrecorded checks are substituted for cash collections, accountability over collections is diminished and City officials have little assurance that all collections received are recorded, deposited and remitted to the Commissioner of Finance and other applicable parties.

The Council Did Not Provide for a Sufficient Annual Audit of Clerk Records

The Clerk provides the Commissioner of Finance with a monthly report of recorded collections and remits the local portion of collections due to the City. Additionally, the Council hires an independent public accounting firm (firm) to audit the City's records annually. However, the current Clerk told us that the Council and firm did not perform reviews of her records.

The Mayor and two Council members told us that they believed the firm that audited the City's financial statements also audited the Clerk's records. A partner of the firm told us that very limited testing of Clerk operations was performed and that the firm did not issue an audit report on Clerk operations. Had the Council provided for the required annual audits, it may have discovered the deficiencies in Clerk operations and facilitated corrective action.

What Do We Recommend?

The Clerk should:

1. Maintain all receipts or other acceptable forms of documentation for all collections, which include the payer, purpose, amount, date of receipt and form of payment.
2. Collect the authorized fees for all transactions.
3. Record all transactions and include valid explanations for any voided transactions in the system.
4. Deposit all collections intact.

⁸ The former Clerk recorded and then voided one of these transactions totaling \$10 on April 1, 2016.

The Council should:

5. Perform an adequate annual audit of, or retain a public accountant to audit, the Clerk's records.
6. Discuss the former Clerk's practice of waiving and reducing fees with the City Attorney and take appropriate legal action, as necessary.

Appendix A: Response From City Officials

City of Gloversville

Mayor's Office
City Hall – 3 Frontage Road
Gloversville, New York 12078-2897



October 28, 2020

Jeffrey P. Leonard, Chief Examiner
New York State Office of the State Comptroller
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801-4396

Re: City Clerk Report of Examinations

Dear Mr. Leonard,

On behalf of the Common Council, our City Clerk and myself, I am writing in response to the City Clerk Report of Examination completed by your office following an audit of the City Clerk's records with an audit period of January 1, 2016 through November 30, 2018.

The report has been reviewed at length by all required or pertinent city officials and we unanimously agree with the key findings and recommendations outlined.

As you are aware, all the concerns audited and reported came to light after our current City Clerk was first appointed due to serious discrepancies that we found in house. We take full responsibility for not having an annual audit done on the City Clerk's Office and will begin doing so immediately.

We want to thank the Office of the State Comptroller, especially the Senior Examiner who worked closely on this audit, for his professionalism and expertise.

Our corrective action plan is also being submitted along with this correspondence. Most of the recommendations had been met soon after our current clerk took the reign. The remainder are clearly defined in our corrective action plan.

Sincerely,

Vincent DeSantis
Mayor

City of Gloversville

Mayor's Office
City Hall – 3 Frontage Road
Gloversville, New York 12078-2897



Corrective Action Plan in response to:
City of Gloversville
City Clerk
Report of Examination
2019M-96

For each recommendation included in the audit report referenced above, the following is our corrective actions taken or proposed:

Audit Recommendation: The Clerk should maintain all receipts or other acceptable forms of documentation for all collections, which include the payer, purpose, amount, date of receipt and form of payment.

Implementation Plan of Action: A receipt is printed for every transaction processed in the City Clerk's Office from [REDACTED] the Clerk's Licensing system. Every receipt lists the date of transaction, receipt number, quantity, transaction type, reference number, subtotal, payment type, amount collected, payer name and mailing address and the ID of the employee who processed the transaction. All permits, applications, or other supporting documentation required for any service provided is kept on file and date stamped with the process date. All transactions are entered into the Clerk Licensing system on the same date it is processed.

Implementation Date: October 2017

Person Responsible for Implementation: City Clerk

Audit Recommendation: The Clerk should collect the authorized fees for all transactions.

Implementation Plan of Action: The City Clerk began and has continued to collect only the authorized fee for all transactions in the office since her original appointment date of January 1, 2017. She follows the City Code or corresponding resolution that sets the fees collected in her office with no exceptions.

Implementation Date: January 2017

Person Responsible for Implementation: City Clerk

City of Gloversville

Mayor's Office
City Hall – 3 Frontage Road
Gloversville, New York 12078-2897



Audit Recommendation: The Clerk should record all transactions and include valid explanations for any voided transactions in the system.

Implementation Plan of Action: The City Clerk has recorded all transactions in the Clerk Licensing system and kept all supporting documentation on file as required by the LGS-1 Record Retention Schedule since her original appointment date of January 1, 2017. All voids are entered into the Clerk Licensing system with a valid, thorough notation as to why the void was necessary.

Implementation Date: January 2017

Person Responsible for Implementation: City Clerk

Audit Recommendation: The Clerk should deposit all collections intact.

Implementation Plan of Action: The City Clerk has entered all transactions into the Clerk Licensing system on the same date as processed and paid. At the end of every business day, the daily cash report, which lists all entered transactions, is compared to the various tender types received for that date to ensure accuracy. Every business day receives its own deposit slip with only one deposit per date. A checkbook is kept which lists the bank deposit, credit card total and overall daily revenue intake for each day with a monthly total which matches the Clerk's Licensing system. All checks issued from the City Clerk bank account are also listed in the checkbook.

Implementation Date: January 2017

Person Responsible for Implementation: City Clerk

Audit Recommendation: The Council should perform an adequate annual audit of, or retain a public accountant to audit, the Clerk's records.

Implementation Plan of Action: The independent public accounting firm hired by the City of Gloversville to perform the annual audit of the City of Gloversville and Community Development Agency, will be tasked with performing an annual audit of the City Clerk's Office.

Implementation Date: 2021

Person Responsible for Implementation: Commissioner of Finance

City of Gloversville

Mayor's Office
City Hall – 3 Frontage Road
Gloversville, New York 12078-2897



Audit Recommendation: The Council should discuss the former Clerk's practice of waiving and reducing fees with the City Attorney and take appropriate legal action, as necessary.

Implementation Plan of Action: Referral to Law Enforcement. A meeting having been held on October 13, 2020 with Mayor Vincent DeSantis, Councilman At Large William Rowback Jr., City Clerk Jennifer Mazur and City Attorney Anthony Casale. A draft of "City of Gloversville City Clerk Report of Examination 2019M-96" containing findings and recommendations of NYS Comptroller having been reviewed during said meeting and upon cross-referencing said draft report with Penal Law, Section 195.00, Official Misconduct, it is the intention of the City to refer this matter to law enforcement for criminal investigation and action upon the issuance of the final report by the Office of the NYS Comptroller.

Implementation Date: March 2021 (Estimate) Referral to be made upon issuance of final Report of Examination by NYS Comptroller

Person Responsible for Implementation: City Attorney

Signed,

Vincent DeSantis
Mayor

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the current Clerk and the current deputy clerk to gain an understanding of the fee collection process. We also interviewed City officials and an independent public accountant partner to gain an understanding of the Council's oversight of Clerk operations.
- We obtained bank statements, validated deposit tickets, canceled checks, monthly reports, daily cash reports and supporting documentation for the entire audit period. We performed monthly accountabilities and analyzed monthly Clerk revenues to determine whether month-end adjusted bank balances agreed with month-end cash book balances.
- We reviewed a sample of two months of revenue collections during our audit period (May 2016 and May 2017) to determine whether the Clerk accurately recorded collected fees by tracing information from source documents to daily cash reports from the system. We based our sample selection on our professional judgment and the significant revenue variances identified in our revenue analysis. We tested all transactions for May 2016 and used our professional judgment to select time intervals for major types of transactions for May 2017.
- We used our professional judgment to select samples from the certified copies of birth certificates and dog licenses issued during our audit period, based on the testing results from our previously selected sample of revenue collections and our revenue analysis. We reviewed the items selected to determine whether the fees collected were accurately recorded in the system. Our sample of certified copies of birth certificates included all transactions from 2016, two months from 2017 and two months from 2018. Our sample of dog licenses included two months from 2016, one month from 2017 and one month from 2018.
- We performed a reconciliation of all landfill permits issued for 2016 and 2017 to determine whether the Clerk charged the proper fee for each permit.
- We used our professional judgment to select four months of recorded revenue transactions from our audit period (two months from 2016, one from 2017 and one from 2018), based on our revenue analysis (three of these months had significant revenue variances). We compared the selected transactions to bank deposits to determine whether collected fees were deposited timely and intact.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 relevant population size and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided 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 Council to make the CAP available for public review in the City Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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