

Town of Wappinger

Recreation Department Cash Receipts

MARCH 2021



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

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Report Highlights

Town of Wappinger

Audit Objective

Determine whether Town of Wappinger (Town) officials developed adequate controls to ensure Recreation Department (Department) cash collected is accurately recorded and deposited timely and intact (in the same amount and form as received).

Key Findings

Town officials did not develop adequate policies and procedures over Department cash collections and did not ensure that cash is deposited timely.

- Officials did not provide adequate oversight of the Department cash receipts process and the duties of the Recreation Director (Director), and Department staff responsibilities were inadequately segregated.
- Department staff did not deposit 543 collections totaling \$42,861 (composed of cash and checks) within 10 days, as required.
 - For example, in July 2019, one deposit (composed of \$3,085 in cash and \$10,810 in checks) was deposited between 11 and 69 days after the collections.

Key Recommendations

- Segregate duties within the Department or when not feasible implement compensating controls, such as providing additional oversight.
- Deposit all cash receipts within 10 days.

Town officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the Town's response letter.

Background

The Town is located in Dutchess County and contains the Village of Wappingers Falls. The Town is governed by an elected Town Board (Board) composed of the Supervisor and four Council members, each representing a ward. The Board is responsible for managing operations.

The Supervisor is the chief executive and chief fiscal officer responsible for maintaining custody of funds.

The Department is led by the Director, assisted by two staff members. The Department operates several recreation programs, with the largest being summer camp. Residents and non-residents are charged a fee for recreation program participation.

Quick Facts

Cash Receipts for the Audit Period	\$190,650
Cash Receipt Collections from July 1, 2018 through September 30, 2019	1,383
2018 Summer Camp Participants	157

Audit Period

January 1, 2018 – September 30, 2019

Recreation Department Cash Receipts

The Director and two Department employees provide electronic receipts generated through a recreation software program. The program allows the Town to accept credit cards in addition to cash and checks and the computer generates receipts that are emailed to the registrant as evidence of payment.

How Should Officials Safeguard Department Collections?

The board is responsible for overseeing financial operations and establishing policies and procedures. A good system of internal controls should be designed to provide reasonable assurance that a town's assets are properly safeguarded; transactions are properly authorized, recorded and reported; and the work performed is routinely monitored and reviewed.

New York State Town Law requires all money collected by the Department be deposited into a town bank account within 10 days of receipt.¹ Undeposited cash and prepared deposits should be adequately secured until deposited, and access to these funds should be restricted. The longer money remains un-deposited, the greater the risk that loss or theft can occur.

Town officials are responsible for establishing effective controls over cash receipts to ensure all collections are properly accounted for and deposited intact as soon as possible to reduce the risk of theft or loss. These controls should also provide for adequately segregated duties so one employee does not control all phases of a transaction. For example, one employee should not be able to receive, record and reconcile transactions and control the entire cash collection process. Properly segregating duties helps prevent and detect errors and fraudulent activity in a timely manner.

When segregating duties is not possible, the board should implement compensating controls. Such controls could include providing additional oversight by designating someone independent of the cash receipts process to routinely review monthly bank statements, cash receipts records and bank reconciliations, compare these records to monthly financial reports and investigate any differences.

The Board Needs To Improve Controls Over Department Collections

We reviewed all 157 collections from the Town's summer camp program for 2018 and found that fees were accurately charged to participants and properly recorded. In addition, we reviewed four deposits totaling \$13,982 from the 33 recreation deposits totaling \$51,555 made during the audit period and found they were deposited intact and accurately recorded in the Department's records.²

¹ New York State Town Law, Section 29

² Refer to Appendix C for information on our sampling methodology.

However, the Board did not adopt written cash receipts policies and procedures for the Department or ensure proper bank reconciliation were performed.

In addition, the Board did not adequately segregate the duties of the Director and Department staff or implement compensating controls, such as providing additional oversight. The Director received, recorded and deposited all money collected.

Currently, the Director and two Department staff collect and record cash and checks received and turn collections over to the Director for deposit. As a result, they have complete control over all Department cash receipt transactions without adequate oversight. Because duties were inadequately segregated and compensating controls were not in place, there is an increased risk that money collected could be lost or misappropriated.

Without adequate cash receipts policies and procedures or oversight, officials and staff did not have appropriate guidance for collecting, recording, safeguarding or depositing Department cash receipts.

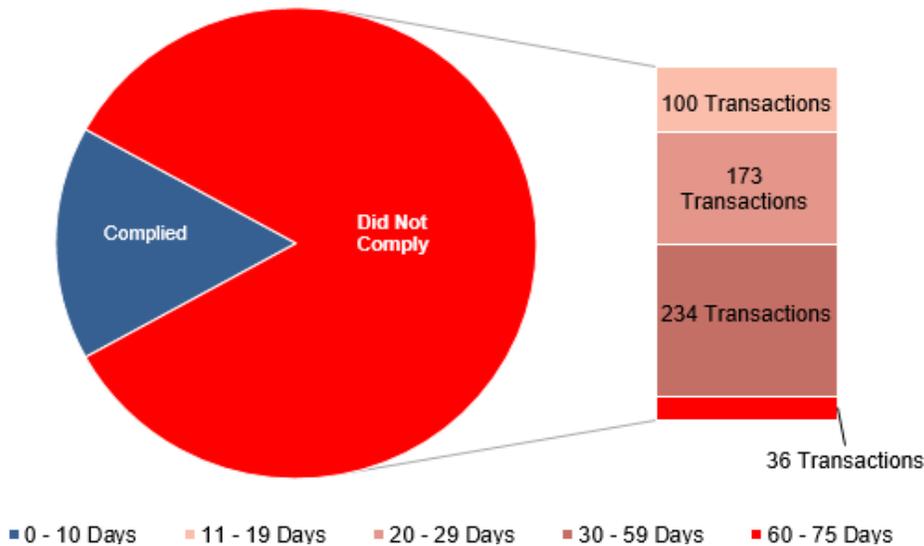
Department Cash Was Not Deposited Within the Appropriate Time Frame

During our audit period, the Town's Department software program showed 1,383 transactions totaling \$114,480, with 647 transactions totaling \$50,420 paid by cash or check and 736 transactions totaling \$64,060 paid by credit card.

We traced all 647 cash and check transactions to Department bank statements and found that the average number of days for these funds to be deposited was 28 days. Although, we found all these funds were deposited intact, 543 of these transactions totaling \$42,861 were not deposited in accordance with GML because the funds were deposited more than 10 days after being received. The longest time from receipt to deposit was 77 days (Figure 1).

FIGURE 1

GML Deposit Timeframe Compliance



The Director told us that she tried to make all deposits at once to coincide with the monthly reporting that she provides to the Board. As a result, there is a greater risk money could be stolen, lost or misappropriated.

Further, even though unremitted funds were kept in a locked cash box in the Director's office, the office was not locked, which left these funds inadequately secured. We found that, in July 2019, one deposit composed of \$3,085 in cash and \$10,810 in checks was deposited between 11 and 69 days after collection. These funds were likely inadequately secured during that time.

The Director told us she never considered the concern of leaving her office unlocked because the cash box is large and locked, and has since ensured that her office is always locked. However the longer money remains undeposited, the greater the risk of theft or misappropriation.

The Director's prompt corrective action during fieldwork is a positive step. However, these actions should be formalized as part of policies and procedures set by the Board. Additional procedures to segregate duties and provide oversight should also be included in the Board policies.

What Do We Recommend?

The Board should:

1. Segregate duties within the Department or when not feasible implement compensating controls.
2. Adopt written policies related to Department cash receipts and direct Town officials to establish procedures to safeguard cash receipts.

The Recreation Director should:

3. Ensure bank reconciliations for the Department continue to be properly prepared, in a timely manner and that any discrepancies are investigated.
4. Implement cash receipts procedures to address the timely recording and depositing of cash collections and ensure that all cash receipts are deposited as soon as possible within 10 days or less of receipt.
5. Ensure the office is always locked or store the cash lock box in another secure location.

Appendix A: Response From Town Officials

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1/14/2021

Office of the State Comptroller
Newburgh Regional Office
Lisa Reynolds
Chief Examiner of Local Government and
School Accountability
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Dear Ms. Reynolds,

We have reviewed the findings of the Recreation Department Cash Receipts Audit Report. We are pleased that the audit found all of the department's funds were deposited intact and all issues were procedural ones. We have taken steps to correct the following issues found in the course of the audit, based off of the recommendations of the NYS Comptroller's office:

The Recreation Director and Department Staff's responsibilities were inadequately segregated.

Beginning in July of 2018, the Recreation Department transitioned to a new software program that would allow for better oversight of program management and financial activity as well as begin the ability for participants to register and pay online. At this time, the department began handling the collection, deposit, and reporting of all funds for Recreation, Senior Center, and Facility Use. As a department of three people, the Recreation Director frequently collected funds as part of program registration in addition to the responsibility of recording, depositing, and reporting department funds.

Corrective Action:

- The Recreation Secretary and Senior Center Assistant will be cross trained, by the end of the first quarter of 2021, in taking registration/payment for each other's programs, therefore eliminating the need for the Recreation Director to act as cashier.
- As many Recreation programs as possible will transition to online only payment, further reducing the need for in person payment and in office collection.
- A full description of the cash handling procedures of the department, including a clear segregation of duties, will be outlined in a formal written Recreation Department policy to be adopted by the Town Board during the first quarter of 2021.

IF 1/4/21

Department staff did not deposit collections within 10 days.

As reflected in the audit report, frequently, collections were not deposited within 10 days. The report states that this was done to coincide with monthly reporting. This is only partially accurate. Additionally, but not reflected in the audit report, collections were also held to improve the efficiency of processing refunds in the event of a program/special occasion's cancellation. This allowed us to return funds quicker and more efficiently to participants in the event of cancellation.

See Note 1 Page 8

Corrective Action:

- All deposits will be made within ten days of collection.
- As many Recreation programs as possible will transition to online only payment which will result in nearly instant deposit.
- A full description of the cash handling procedures of the department, including a clear procedure for collecting and depositing funds in a timely manner, will be outlined in a formal written Recreation Department policy to be adopted by the Town Board during the first quarter of 2021.

Upon the adoption of the formal cash handling policy by the Town of Wappinger Town Board, Recreation Department staff will be trained in the policy and will be required to sign off acknowledging their receipt and expected compliance with this policy.

Sincerely,

Richard Thurston
Supervisor, Town of Wappinger

JF 1/4/21

Appendix B: OSC Comment on Town's Response

Note 1

Town Law requires that all money collected be deposited into a Town bank account within 10 days of receipt. To maintain accountability, all money collected or returned should be recorded in the Town's records. A Town check should be used to return money.

Appendix C: 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 Town officials and employees, researched the Department's website and reviewed Department records and reports to gain an understanding of Department operations.
- We reviewed all interim monthly reports provided by the Director to the Board for the audit period. We reviewed general ledger data to determine whether these reports were accurate.
- We reviewed all 647 cash and check transactions recorded in the Department's software program and the corresponding deposit tickets to determine whether the recorded funds were deposited timely and intact. Using our professional judgment, we selected only those cash and check collections processed in the software from July 1, 2018 through September 30, 2019. We limited our review to cash receipts processed on or after July 1, 2018, when the Department's software was first used.
- We reviewed summer camp attendance records (the Department's largest program) and all 157 summer camp cash receipts for 2018. We reviewed the transaction records to determine whether those recorded in the software agreed with the attendance records, and the appropriate fees were assessed, recorded and paid. We also reviewed all gymnastic attendance records for the audit period to determine whether attendance was recorded in the software program.
- We used our professional judgment to select four deposits from the 33 recreation deposits made during the audit period. We obtained deposit compositions directly from the bank and selected our sample, based on the largest deposits and those with the greatest number of checks in the composition. We reviewed these deposits to determine whether the amounts collected were deposited intact and accurately recorded in the Department software.

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

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.

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 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 Board to make the CAP available for public review in the Clerk's office.

Appendix D: 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

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