

Town of Marathon

Town Clerk

DECEMBER 2022



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

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Report Highlights

Town of Marathon

Audit Objective

Determine whether the Town of Marathon (Town) Clerk recorded, deposited, remitted and reported collections in a timely and accurate manner.

Key Findings

The Clerk did not record, deposit, remit or report collections in a timely and accurate manner. As a result, the Board's ability to effectively monitor financial operations was diminished. Had the Board conducted the required annual audits, it may have recognized these deficiencies and taken corrective action.

The Clerk:

- Did not maintain adequate records and supporting documentation, including a cash book or duplicate receipts for all transactions.
- Did not prepare monthly bank reconciliations and verify the accuracy of the financial records. As a result, the Clerk's bank account balance was \$6,251 more than it should have been as of April 21, 2022.

Key Recommendations

- Maintain adequate records, books and related supporting documentation and deposit, remit and report collections to the appropriate parties in a timely manner.
- Prepare monthly bank reconciliations and accountabilities.
- Audit the Clerk's records, as required.

Town officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The Town is located in Cortland County (County) and is governed by an elected five-member Board including the Town Supervisor (Supervisor).

The Board is responsible for general oversight of Town finances and operations, including overseeing the elected Town Clerk's (Clerk) cash collection activities.

The Clerk collects fees for a variety of purposes, including marriage, dog, bingo, games of chance, building permits and certified copies.

Generally, all fees received by the Clerk are property of the Town, County or State and must promptly be remitted to the appropriate parties.

2021 Quick Facts

Population	2,038
Clerk Fees Collected	\$3,172
Number of Recorded Clerk Transactions	126

Audit Period

January 1, 2021 – April 30, 2022

Town Clerk

How Should Town Clerks Account for and Remit Collections?

Town clerks must properly account for all transactions by promptly and accurately recording the amounts collected in a cash receipts journal, depositing collections intact (in the same amount and form – cash or check – as received) and remitting collections to the appropriate parties.

New York State Town Law (Town Law) Section 30 requires town clerks to deposit all fees collected within three business days after total collections exceed \$250. In addition, Town Law Section 27 requires town clerks to report and remit such money to the town supervisor on or before the 15th of the month following collection. Town clerks must also report and remit collections in a timely manner to the New York State Department of Agriculture and Markets, the New York State Department of Health and the Office of the New York State Comptroller (OSC).

Town clerks should create and retain supporting documentation such as a duplicate receipt, which includes the payer, purpose, amount, date of receipt and form of payment (i.e., cash, check or money order) for each payment received. Deposit slips should include sufficient detail to verify that all collections were deposited. Monthly bank reconciliations enable the town clerk to verify the accuracy of financial records and ensure assets are sufficient to meet liabilities.

Town clerks should prepare a monthly accountability analysis to compare current assets to current liabilities which enables town clerks to verify the accuracy of financial records, including identifying any discrepancies in recording, and ensuring proper remittances are made to the town supervisor and other parties.

Clerk Collections Were Not Adequately Supported and Lacked Deposit Detail

We reviewed all 148 identified transactions totaling \$3,618 during the audit period, consisting of 17 deposits, and any available supporting documentation that was recorded by the Clerk, to determine whether they were properly recorded, deposited, remitted, and reported accurately and in a timely manner.

We determined that the total amount recorded by the Clerk was reported to the Supervisor and deposited in a Town bank account. However, the Clerk did not maintain a cash receipts journal, and her other records did not have sufficient detail to determine whether all transactions recorded were deposited intact. Furthermore, the Clerk did not remit collections to appropriate parties in a timely manner. Finally, the Clerk did not reconcile bank accounts or prepare accountabilities.

Recording – The majority of the Clerk’s collections were for building permits and dog licenses and renewals. The Clerk recorded 101 transactions totaling \$1,027 for marriage and dog licenses using an accounting software that produced

... [T]he Clerk did not maintain a cash receipts journal, and her other records did not have sufficient detail to determine whether all transactions recorded were deposited intact.

pre-numbered duplicate receipts with sufficient detail, such as payee, date, amount and form of payment. However, the Clerk did not issue receipts for 47 transactions totaling \$2,591 for building permits, bingo, games of chance and certified copies, and did not record these transactions in the accounting software. Instead, the Clerk recorded these transactions manually, without providing sufficient detail, on the monthly Clerk's report. Specifically, the Clerk recorded the transaction date, payee and amount on the Clerk's report. She did not record the form of payment.

Deposits – Seven deposits totaling \$2,399 (66 percent) were made from five to 12 days late. The Clerk deposited funds once per month to coincide with remitting the funds to the Supervisor and her report to the Board, instead of within three business days after total collections exceeded \$250 as required. Furthermore, the Clerk did not retain detailed deposit slips, and the bank deposit compositions lacked sufficient detail to identify individual cash collections received. For example, the Clerk listed cash as a total amount and did not itemize the source of the money deposited.

Seven deposits totaling \$2,399 (66 percent) were made from five to 12 days late.

Based on the deposit information we received from the Town's bank, we determined that 63 transactions that were paid for by checks totaling \$1,555 were deposited intact. However, the cash transactions in the Clerk's records and deposit compositions lacked sufficient detail to determine whether the remaining 85 transactions totaling \$2,063 were deposited intact. For example, the Clerk's records did not always identify cash transactions and she did not retain deposit slips that identified cash and checks received. Because the records did not have sufficient detail, the Board would not be able to verify the accuracy of the Clerk's records during the annual audit process.

Remittances – We reviewed all 39 remittances made by the Clerk to the Supervisor and various State agencies totaling \$3,588. We found that 13 remittances totaling \$177 were made from two to seven days late. Additionally, two collections for games of chance totaling \$30 were never reported or remitted to OSC.

Furthermore, the Clerk did not prepare bank reconciliations during our audit period. Since bank reconciliations had not been performed, we reviewed four consecutive months (April 2021 through July 2021) and compared the bank account balances to the Clerk's records. We determined the Clerk's bank account retained a balance of approximately \$6,200 during those months.

Because the bank account had a residual balance, we prepared an accountability analysis of the Clerk's bank account, which had a balance of \$6,219 as of April 21, 2022. We found that the cash balance exceeded known liabilities by \$6,251 (Figure 1).

Figure 1: Clerk's Accountability Analysis as of April 21, 2022

Clerk Assets	
Clerk Fees Bank Account Balance	\$6,219
Cash Receipts on Hand, Undeposited	165
Total Clerk Assets	\$6,384
Clerk Liabilities	
Due to the Supervisor	(\$150)
Due to the Comptroller	(30)
Total Clerk Liabilities	(\$180)
Other Adjustments	
Owed From the General Fund	\$47
Total Other Adjustments	\$47
Total Clerk Liabilities and Other Adjustments	(\$133)
Unremitted Cash	\$6,251

The Clerk informed us that this balance was comprised of an accumulation of bingo and games of chance fees from as far back as 1993. The Clerk was aware the money was required to be remitted to OSC; however, she was not sure how to remit the funds. To correct this, we provided her with contact information to assist her with remitting the funds and referred her to the New York State Gaming Commission's *Municipal Clerk's Guide*¹ on licensing.

The Clerk told us she received training from her predecessor over 30 years ago, and attended several workshops offered through the New York State Association of Towns, the most recent being 15 years ago.

However, she said she was unaware of several of her responsibilities for recording and safeguarding Town funds. For example, the Clerk told us she was not aware she needed to maintain a cash receipts journal and deposit all fees collected within three business days after total collections exceeded \$250. Additionally, the Clerk told us that she stopped preparing bank reconciliations because there was low activity in the account. However, bank reconciliations should be prepared regardless of account activity to provide documentation and support for the Board's audit. As a refresher, we referred the Clerk to training and guidance for local officials through OSC's Academy for New York State's Local Officials and the New York State Association of Towns.

These deficiencies continued without detection because the Board did not conduct or cause an annual audit of the Clerk's records and reports as required by Town Law Section 123.

¹ <https://www.gaming.ny.gov/pdf/REVISED%20Municipal%20Clerks%20Guide%207%207%202017.pdf>

Because the Board did not perform annual audits, its ability to effectively monitor financial operations was diminished. Had the Board conducted or caused annual audits, it may have recognized the deficiencies identified in our report and brought them to the Clerk's attention to encourage corrective action.

What Do We Recommend?

The Clerk should:

1. Receive formal training on how to perform her duties. Such training can include local officials training provided by the Office of the State Comptroller.²
2. Maintain adequate records, books and related supporting documentation, including a cash receipts book for all transactions.
3. Issue and retain duplicate receipts for all collections.
4. Retain deposit slips and ensure deposit slips are detailed enough to identify the deposit's composition and payment purpose.
5. Record, deposit, remit and report collections to appropriate parties in a timely and accurate manner.
6. Prepare monthly bank reconciliations and accountabilities.
7. Identify and properly remit excess funds in the Clerk bank account.

The Board should:

8. Perform, or obtain, an annual audit of the Clerk's records as required.

² www.osc.state.ny.us/local-government/academy

Appendix A: Response From Town Officials

**TOWN OF MARATHON
P.O. BOX 615
MARATHON, NY 13803**

November 28, 2022

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

RE: Corrective Action Plan (CAP) in Response by the Town Clerk to “Town of Marathon Town Clerk Report of Examination”

Ms. Singer,

The Board and I have reviewed the draft report of Town Clerk Audit, and we generally agree with the findings. I was trained by the former Town Clerk over thirty years ago and was not aware I have been in error with some of the records’ procedures. I immediately implemented the verbal recommendations suggested by the auditors prior to receiving the draft report and now continue to do all these things as part of the monthly routine.

In response to these “Key Recommendations” based on the findings:

1. Receive Formal Training:

- I have already implemented the verbal recommendations of the auditors in regards to issuing duplicate receipts, detailed deposit slips, remitting dog licenses by the 5th of the month, reconciling bank statements, and maintaining a monthly cash book record.
- I have also accessed a couple of recent online trainings including a basic overview of the town referendum process and a marriage license seminar. I will continue to access these online trainings as they seem applicable.
- I also have the 2021 Town Clerk Manual to use as a reference.
- I will continue to, as I have in the past, reach out to other area Town Clerks or State agencies (NYS Health, NYS Ag & Markets, etc.) with questions if I’m unsure of a particular process.

2. Maintain Adequate Records: For the last 4-6 months, I have begun using the [REDACTED] to document all monthly receipts including cash and check transactions. This program also maintains a cash book.

3. Issue and Retain Duplicate Receipts for All Collections: Beginning in April 2022 receipts have been issued for all collections (dog licenses, marriage licenses, building permits, certified copies, and miscellaneous revenue) per [REDACTED]

4. Retain Detailed Deposit Slips: I kept a manual monthly record with cash and check deposits so I felt I had an adequate record of money deposited, but since April 2022 I have made duplicate copies of the deposit slips. Also the [REDACTED] records transactions as cash or check.

-
5. **Record, Deposit, Remit and Report Collections to Appropriate Parties in a Timely and Accurate Manner:**
- In the past I generally made one deposit per month. Upon knowing deposits should be made within three days of receiving \$250.00, I began keeping better tract of monthly revenue and have since deposited monies near the \$250.00 level within the three days, thus, at times making two deposits per month.
 - The dog license reports and the marriage license reports are due on different dates. I was not fully aware of that and I now submit both reports by the 5th of each month. It was just a matter of changing my monthly routine.
6. **Prepare Monthly Bank Reconciliations:** Although I examined the monthly bank statements, I didn't do a formal reconciliation because there were only two or three checks written per month, but have implemented that as of April 2022.
7. **Identify and Properly Remit Excess Funds in the Clerk Bank Account:** The excess funds have now been documented and remitted to the State Comptroller. Moving forward there will be no excess funds in the Town Clerk account.
8. **Perform, or obtain, an annual audit of the Clerk's records as required:** This was done in the past, but had lapsed for multiple years. The Board will audit the Town Clerk's records annually again beginning at the end of the calendar year 2022.

Respectfully submitted,


Doris Adams
Marathon Town Clerk

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 Clerk and other Town officials to gain an understanding of the internal controls over collecting, recording, depositing, remitting, reporting and reconciling money collected by the Clerk.
- We communicated with five taxpayers to determine whether the amounts paid for marriage licenses matched the amounts and form recorded.
- We reviewed Board meeting minutes and monthly reports provided to Board members to determine the extent of financial information received by the Board.
- We compared bank statement activity, check images, deposit compositions, duplicate building permits and source documents such as marriage licenses to transactions in the financial software and written notes to determine whether the Clerk deposited all recorded transactions in an accurate and timely manner.
- We compared 101 recorded transactions to source documents to determine whether transactions were recorded and deposited correctly.
- We reviewed all dog licenses, marriage licenses, building permits, handwritten notes, bank statements and check images to determine whether all recorded transactions were remitted to the appropriate parties in an accurate and timely manner.
- Using our professional judgment, we selected four consecutive months with receipt activity and reconciled the Clerk account's bank balances with recorded activity to identify a carrying balance.
- On April 21, 2022, we performed a review of the Clerk's assets on hand and conducted an accountability analysis of Clerk assets and liabilities as of that date to identify excessive funds and attempt to determine their origin.

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 C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

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

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

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/files/local-government/publications/pdf/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

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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