



Town of Oppenheim

Town Clerk Operations

Report of Examination

Period Covered:

January 1, 2013 — March 31, 2014

2014M-248



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2014

Dear Town 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 Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Oppenheim, entitled Town Clerk Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Oppenheim (Town) is located in Fulton County and has a population of approximately 1,900 residents. The Town Board (Board) is comprised of the Town Supervisor (Supervisor) and four elected members. The Board is responsible for managing Town operations, including establishing internal controls over financial operations. The Board is also responsible for auditing the records of all Town officers and employees who handle cash.

The Town provides a range of services to its residents, including fire protection, highway maintenance and snow removal. The Town's budgeted appropriations for the 2014 fiscal year are approximately \$1.3 million, funded primarily with real property taxes, sales tax and State aid.

The Town Clerk (Clerk) collects money for a variety of items and services provided by the Town and New York State, including transfer station stickers and marriage, hunting, fishing and dog licenses. The Clerk is responsible for receiving, depositing, disbursing and reporting all moneys collected. The Clerk reported cash collections totaling \$5,439 during 2013 and \$3,122 from January 1 through March 31, 2014.

Objective

The objective of our audit was to examine the Clerk's operations. Our audit addressed the following related question:

- Did the Clerk's operations include adequate procedures for collecting, disbursing and accounting for moneys?

Scope and Methodology

We examined the Clerk's operations from January 1, 2013 through March 31, 2014.

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 is included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and

recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

Town Clerk Operations

The Clerk is responsible for maintaining complete and accurate accounting records and promptly depositing moneys received into the Clerk's bank account. The Clerk collects cash for a variety of items and services provided by the Town and State, including fees for transfer station stickers and marriage, hunting, fishing and dog licenses. General Municipal Law requires that duplicate receipts be issued where no other form of documentation is available to evidence collections. Performing a monthly bank reconciliation and accountability analysis provides the Clerk with an opportunity to verify the accuracy of her financial records in a timely manner. Finally, the Board is required to audit the books and records of the Clerk on an annual basis.

The Clerk did not issue receipts for collections when necessary. The Clerk did not make deposits in a timely manner, and in 2013 the Clerk only made four deposits because collections were held for extended periods of time. In addition, the Clerk did not perform monthly bank reconciliations and accountabilities, comparing the available cash to the known liabilities. The Clerk did not submit a monthly report of all moneys she received and disbursed to the Supervisor and did not make disbursements to the Supervisor and State agencies in a timely manner. Finally, the Board did not provide adequate oversight of the Clerk's financial activities and did not provide for an annual audit of the Clerk's records.

Cash Receipts

It is essential for the Clerk to fill out press-numbered duplicate receipts that indicate the payer, date, purpose and type of payment received (i.e., cash or check) when no other adequate documentation exists. One copy of the duplicate receipt should be provided to the payer while the other copy should be retained by the Clerk. The receipts and other supporting documentation help to ensure that transactions entered in the accounting records are accurate and traceable from the point of collection to the monthly reports and are being deposited timely and intact.¹

The Clerk did not use duplicate receipts or any other form of receipts when no other adequate form of documentation exists. Therefore, the type and source of payment, purpose and the payment dates cannot always be determined. Additionally, the Clerk did not accurately record all collection data in her accounting records. Certain types

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

of sales, such as hunting, marriage and dog licenses, include data for the date sold, amount, purpose and purchaser's name. The Clerk enters these sales into a computerized system individually and the accounting records can be traced back to the source documents of the sale. However, when selling transfer station stickers, the Clerk records each sale on a manual spreadsheet which includes the amount collected, purpose and the purchaser's name, but does not include the type of payment or the date the sticker was sold. The Clerk then totals the sticker sales for the month and enters one combined collection amount into the accounting records with no individual sale dates or individual amounts included. As a result, we were unable to determine the types of payment or dates when the Clerk sold the transfer station stickers. When a customer requested a receipt for payment, the Clerk prepared a receipt on a slip of paper. However, the receipts were not pre-numbered or prepared in duplicate and the Clerk did not retain a copy of the receipts for her records. The Town received 1,008 stickers for the two-year cycle ending in 2015. We reviewed the spreadsheets used to keep track of sticker sales, along with the inventory of all unsold stickers. We found that all stickers were properly accounted for.

However, without using press-numbered duplicate receipts, when applicable, there is no documentation to support individual collections to ensure that the Clerk has correctly entered all transactions into the accounting records and to trace these transactions from the point-of-collection through the accounting records. Additionally, by not recording the types of payment or dates that the transfer station stickers were sold, the accountability over transfer station sticker sales was diminished.

Bank Deposits

The New York State Town Law (Town Law) requires that all moneys collected by the Clerk should be deposited into the Clerk's official bank account no later than the third business day after total collections exceed \$250. Good business practice dictates that all collections, regardless of total amount, should be deposited on a weekly basis or sooner, to reduce the risk of loss or theft of the collections.

The Clerk did not make deposits within three business days after the total receipts exceeded \$250. The Clerk made four deposits in 2013 as follows: February 21, 2013 - \$605; June 13, 2013 - \$710; September 12, 2013 - \$1,304; and October 11, 2013 - \$1,547. The February deposit was for collections received in 2012 and the other three deposits appeared to correspond to automatic New York State Department of Environmental Conservation (DEC) withdrawals which occurred in months when hunting and fishing licenses were sold. For instance, the DEC withdrew \$1,021 on September 17, 2013 (five days after the September 12 deposit) and \$1,654 on October 16,

2013 (five days after the October 11 deposit). Without a sufficient balance in the Clerk's bank account, the DEC would not be able to withdraw their license fees from the Clerk and, therefore, the Clerk deposited the money to cover the DEC withdrawals.

According to the Clerk's records, collections in 2013 totaled \$5,439. However, of this amount, only \$3,561 was deposited, a difference of \$1,878. The Clerk received \$271 in November 2013, but a deposit was not made until March 26, 2014, or 116 days later,² for \$2,966, of which \$1,878 was collected in 2013. Subsequent to the completion of our fieldwork, the Clerk made a deposit of \$1,120 on April 11, 2014 and another of \$952 on April 24, 2014, which satisfies all collections she received through March 31, 2014. In addition, the Clerk does not deposit collections intact. For instance, the Clerk only deposited \$3,561 in 2013 while her records indicated she received \$5,439. The Clerk had no explanation for why she did not deposit all collections in a timely manner.

Moneys collected that are not deposited in a timely manner reduce the effectiveness of controls over cash receipts which increases the potential risk of loss, errors or irregularities occurring and not being detected in a timely manner.

Bank Reconciliation and Accountability

The Clerk should prepare monthly bank reconciliations and compare cash, both on hand and on deposit in the bank accounts, to a detailed list of liabilities, including amounts due to the Town and various State agencies. This comparison, referred to as a monthly accountability, helps to ensure that all moneys are identified and accounted for properly.

The Clerk did not perform monthly bank reconciliations or accountabilities. We performed an accountability analysis of the Clerk's cash as of March 31, 2014. The Clerk's records, reports and our review of supporting documentation for the period January 1, 2013 through March 31, 2014 indicated she was accountable for \$5,237 as of March 31, 2014. The bank statement dated March 31, 2014 showed a balance of \$3,208. The reconciliation for the bank statement included deposits in transit for deposits made on April 11, 2014 of \$1,120 and another made on April 24, 2014 of \$952; these deposits in transit plus the bank statement balance totaled \$5,280. The total that the Clerk was accountable for and the deposit differed by \$43. The Clerk did not know why the money on deposit was \$43 more than what her records showed.

² The Clerk's records did not include details on when cash was received (see Cash Receipts section). The 116 days is calculated from the last day of November 2013 to the date of deposit in March 2014.

The failure to prepare bank reconciliations and accountabilities deprives the Clerk of a valuable tool necessary to ensure that all Clerk cash assets are accounted for. As a result, errors and irregularities could occur and go undetected and uncorrected.

Remittances and Monthly Reports

Moneys received by the Clerk are the property of the Town or State and the Clerk should remit these moneys to the appropriate agencies promptly. The Town Law requires the Clerk to submit to the Supervisor a monthly statement of all moneys received and remit such moneys to the Supervisor on or before the fifteenth of the month following receipt. Clerks must also report and remit collections to State agencies. Also, complete and accurate monthly reports provide financial information to the Supervisor and the Board of the moneys handled by the Clerk.

The Clerk did not submit monthly reports to the Supervisor of all moneys she received and disbursed. In addition, the Clerk did not make disbursements in a timely manner. As of March 31, 2014, the Town, the New York State Department of Agriculture and Markets and the New York State Department of Health were not paid their share of moneys collected by the Clerk for all of 2013 and the first three months of 2014. Subsequent to the completion of our fieldwork, the Clerk remitted all collections due to these agencies from January 2013 through February 2014.

The Clerk's failure to submit monthly reports to the Supervisor and other agencies deprives these parties of the use of moneys belonging to them.

Board Oversight

The Town Law requires the Board to annually audit, or cause to be audited, the records of all individuals who receive or disburse moneys on behalf of the Town. This periodic audit of the Clerk's operations should be thorough, and, when done properly, it can enable Board members to provide effective oversight. This will ensure that financial records are complete and up-to-date, transactions are recorded properly, accountability is computed monthly and required reports are made timely and accurately.

The Board did not provide adequate oversight of the Clerk's financial activities. Specifically, the Board did not conduct or provide for an annual audit of the Clerk's records.³ If the Board provided adequate oversight of the Clerk's operations, it should have noticed that the Clerk was not depositing or disbursing collections on a timely basis, performing monthly reconciliations and accountabilities, or

³ In addition to the lack of Board oversight of the Clerk's operations, we found that the Board did not conduct an annual audit of the Supervisor's and Justice Court's records.

maintaining adequate records. Further, without adequate auditing of the Clerk's operations, there was no assurance that errors or irregularities were not occurring with the Clerk's handling of moneys paid to her.

Recommendations

The Clerk should:

1. Issue press-numbered duplicate receipts for all Town transactions when no other form of adequate documentation is available.
2. Record payers' names and amounts in the accounting records and ensure that the dates received in the accounting records correspond to the dates of collection.
3. Perform monthly bank reconciliations and accountabilities to ensure that known liabilities agree with available cash.
4. Deposit all moneys intact and in a timely manner.
5. Remit moneys collected to the appropriate agencies in a timely manner.
6. Prepare reports and present them to the Board for review in a timely manner.

The Board should:

7. Periodically review the Clerk's operations and conduct or provide for an annual audit of the Clerk's records.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF OPPENHEIM

110 Route 331

St. Johnsville, NY 13452

Phone: (518) 568-2837

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Town Supervisor George Capek

Town Clerk Gloria J. Brys

Town Council

Cynthia Breh

Stephanie Gray

Patricia Haberek

Rodney Montana

November 18, 2014


NYS Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12081

Re: Town of Oppenheim Audit

Town of Oppenheim accepts the findings of the audit report and is pleased to find that all funds were accounted for. This response is combined with a Corrective Action Plan.

In regards to the Corrective Action Plan, the following will be our action plan:

1. Starting January 1, 2015, duplicate numbered receipts will be used by the Town Clerk and all officials who receive money that does not have any other evidence of receipt.
2. The Town Clerk will make deposits and do monthly reports and remit monies to the appropriate agencies in a timely manner.
3. The Town Board will do an annual audit of the Town Clerk and any other Official who collects money.
4. Concerning other suggestions from the auditor, we have redone and passed a resolution accepting our Code of Ethics
5. Beginning January 1, 2015 we will make a personnel folder for every employee, which will also include a signed paper stating that they received a copy of the Code of Ethics.
6. The Town Board will be working on a Procurement Policy, Investment Policy, and the Claims Processing Policy and will pass a resolution to accept each of them.
7. At our Organization Meeting we will pass a resolution authorizing the Supervisor to prepay certain invoices like the electric and telephone.

It was a pleasure working with the audit team and getting all of the helpful information, which will improve our operations and make our Town run more efficiently.

Respectively,

George Capek
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if internal controls over selected financial activities were appropriately designed and operating effectively. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: control environment, financial condition, budgeting, accounting records and reports, cash management, cash receipts, cash disbursements, tax collection/billed receivables, purchasing, claims processing, asset management, payroll and personal services, Justice Court and information technology.

During the initial assessment, we interviewed Town officials, performed limited tests of transactions and reviewed pertinent documents, such as Board minutes, financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of fraud, theft or professional misconduct. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected the Clerk's operations for further audit testing.

To accomplish the objectives of this audit, we performed the following audit procedures:

- We interviewed appropriate Town officials to gain an understanding of the internal control policies and procedures relating to the Clerk's management of cash receipts.
- We reviewed the Clerk's accounting records to determine if she made appropriate entries, including payee names, amounts, dates and types of payment.
- We examined reports for hunting licenses, dog licenses, marriage licenses, transfer station permits and the Clerk's monthly and annual reports to evaluate their adequacy.
- We reviewed bank statements for all deposits made during our audit period to determine if deposits were made intact and in a timely manner.
- We reviewed images of all canceled checks written from the Clerk's account during our audit period.
- We examined bank statements to determine if bank reconciliations or accountabilities were performed.
- We compared deposits from the bank statements to the Clerk's records to determine if all deposits were recorded in the cash book.
- We reviewed the meeting minutes and the Clerk's records for evidence of the Board's annual audit of her books and records and to determine if monthly reports were submitted to the Board.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
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