



Town of Willsboro

Internal Controls Over Selected Financial Operations

Report of Examination

Period Covered:

January 1, 2012 — November 30, 2013

2014M-68



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
EXECUTIVE SUMMARY	3
INTRODUCTION	5
Background	5
Objective	5
Scope and Methodology	6
Comments of Local Officials and Corrective Action	6
TOWN CLERK OPERATIONS	7
Clerk	7
Tax Collections	12
Physical Security	14
Annual Audit	15
Recommendations	15
USER CHARGES AND TRANSFER STATION RECEIPTS	17
User Charges	17
Transfer Station	22
Recommendations	24
APPENDIX A Response From Local Officials	26
APPENDIX B Audit Methodology and Standards	33
APPENDIX C How to Obtain Additional Copies of the Report	36
APPENDIX D Local Regional Office Listing	37

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Willsboro, entitled Internal Controls Over Selected Financial 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 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 Town of Willsboro (Town) is governed by an elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four council members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for the receipt, disbursement and custody of Town moneys, maintaining accounting records, and providing financial reports to the Board. The Town Clerk (Clerk) is also the Tax Collector. The Town's budgeted appropriations for the 2013 fiscal year were approximately \$1.9 million, funded primarily with real property taxes and user charges.

Scope and Objective

The objective of our audit was to review the Town's internal controls over selected financial operations for the period January 1, 2012 through November 30, 2013. Our audit addressed the following related questions:

- Are internal controls over Clerk financial activities appropriately designed and operating effectively to adequately safeguard Town assets?
- Are internal controls over user charges and transfer station cash receipts appropriately designed and operating effectively to adequately safeguard Town assets?

Audit Results

The Board and Town officials did not provide adequate oversight of the Town's financial operations to ensure that Town assets were adequately safeguarded. There were weaknesses in both preventive controls, such as segregation of duties and policies and procedures, and detective controls, such as management oversight. These weaknesses have resulted in lost revenue to the Town and an environment that allowed significant deficiencies to occur and not be detected in a timely manner.

There were significant internal control weaknesses over the Clerk's financial activities. The Clerk did not maintain adequate, accurate and complete records and reports. In addition, collections for Clerk fees and real property taxes were not physically secured prior to deposit, were not deposited timely and intact, and were not remitted to the appropriate party timely or in the appropriate amounts. Furthermore, the Clerk did not perform monthly bank reconciliations or accountabilities for the Clerk or conservation bank accounts. We also found that the Board failed to provide adequate oversight of the Clerk's financial activities and did not audit the records of the Clerk, as required. Consequently, we found that personal checks were cashed from Town funds, the Clerk deposited \$490 of personal checks into the tax-collection account to cover apparent shortages, unsupported deposits of cash were

made into all three of the bank accounts used by the Clerk, and the Clerk account had an unidentified balance of \$3,202, as of November 30, 2013. As a result, Town officials lack any assurance that all collections received at the Clerk's office were properly accounted for and deposited for our audit period. The Clerk also made allegations that the former Clerk to the Supervisor readily borrowed cash from the filing cabinet in the Clerk's office. However, the Clerk did not provide us with documentation supporting these allegations and we were not able to determine if this was the case during our review because the Clerk's records were so poorly maintained.

The Town lacked comprehensive policies and procedures over user charges including an overall lack of segregation of duties and compensating controls. As a result, we identified significant internal control weaknesses over the billing, collection and enforcement of user charges. For example, the Board had not adopted all of the water and none of the sewer rates that were being charged to customers, six water customers and one sewer customer were not billed for services received, and adjustments were made to customer accounts without approval. In addition, we found that 14 of 20 deposits contained cash receipts totaling \$16,575 that were deposited more than five days after receipt. Furthermore, the Town was not charging connection fees in accordance with the Board established rate, resulting in lost revenues to the Town of \$2,700. The Town was also not properly assessing penalties to delinquent accounts and all delinquent accounts were not properly re-levied. As a result, the Town did not realize all potential revenues and did not properly enforce all delinquent accounts.

The Board and Town officials had also not established an adequate system of internal controls over transfer station cash receipts. For example, the Clerk did not maintain an accurate inventory of transfer station tickets. Also, Town and Library personnel did not properly account for transfer station cash receipts. In addition, we found that 10 deposits containing cash receipts, totaling \$3,940 (80 percent) of the total deposit, were deposited more than five days after receipt. For example, \$40 in cash receipts received at the Paine Memorial Library on March 3, 2012 were not deposited until August 15, 2012, 165 days later. Occurrences like this leave the Board and Town officials with little to no assurance that transfer station cash receipts are properly accounted for and increases the risk that such moneys could be used for purposes other than as intended.

Comments of Local Officials

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.

Introduction

Background

The Town of Willsboro (Town) is located in Essex County and has a population of 2,025 residents. The Town is governed by an elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four council members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for the receipt, disbursement and custody of Town moneys, maintaining accounting records, and providing financial reports to the Board.

The Town provides various services to its residents, including maintaining and improving Town roads, snow removal, public improvements, recreation and cultural activities, water, sewer and general governmental support. The Town's budgeted appropriations for the 2013 fiscal year were approximately \$1.9 million, funded primarily with real property taxes and user charges.

The Town's elected Town Clerk (Clerk) is responsible for collecting revenues for dog licenses, marriage licenses, copies of death certificates, fax and photocopy fees, New York State Department of Environmental Conservation licenses, zoning fees and building permits. The Clerk reported collections of \$76,370 during our audit period. The Clerk is also the Tax Collector and collects real property taxes pursuant to tax warrants provided from Essex County. The warrants direct the Clerk to collect taxes for the Town and County and remit the tax collections to the Supervisor and County Treasurer. The Clerk was responsible for collecting taxes totaling approximately \$2.3 million during each of the 2012 and 2013 fiscal years.

The Town has one water district and one sewer district, which provide related services to approximately 1,100 and 200 customers respectively. The Town recorded revenues for water charges of \$342,887 and sewer charges of \$243,882 during our audit period. The Town also sells transfer station tickets to its residents so that they can dispose of refuse at the Town of Essex transfer station. The Clerk maintains tickets in her office to be sold by the Deputy Clerk and herself, and issues tickets to the Director of the Paine Memorial Library to be sold by Library employees. The Town recorded \$28,750 in revenue from transfer station tickets sales during our audit period.

Objective

The objective of our audit was to as to review the Town's internal controls over selected financial operations. Our audit addressed the following related questions:

- Are internal controls over Clerk financial activities appropriately designed and operating effectively to adequately safeguard Town assets?
- Are internal controls over user charges and transfer station cash receipts appropriately designed and operating effectively to adequately safeguard Town assets?

**Scope and
Methodology**

We examined the Town’s financial operations for the period January 1, 2012 through November 30, 2013.

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.

**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 the 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 and Board must establish a system of internal controls to safeguard taxpayer dollars. This includes both preventive controls, such as segregation of duties and policies, and procedures and detective controls, such as management oversight. The Clerk is responsible for receiving, recording, depositing, disbursing and reporting all moneys collected in an accurate and timely manner. This requires maintaining accurate and complete records and reports, ensuring that collections are physically secure, promptly depositing moneys into the Town's bank accounts and disbursing moneys to the appropriate parties. The Board is responsible for providing oversight for the Clerk's operations.

As the Tax Collector, the Clerk is responsible for collecting payments, issuing receipts and recording and depositing collections for Clerk fees and real property tax revenues. The Clerk also had two Deputy Clerks¹ during the 2012 fiscal year and one during the 2013 fiscal year whose duties only included collecting payments in the Clerk's absence. The Clerk used three separate bank accounts for collections, which consisted of one for conservation licenses (conservation account), one for all other Clerk fees (Clerk account) and one for real property taxes (tax-collection account).

We identified significant internal control weaknesses over the Clerk's financial activities. For example, the Clerk did not maintain adequate, accurate and complete records and reports. In addition, collections for Clerk fees and real property taxes were not physically secured prior to deposit, were not deposited timely and intact and were not remitted to the appropriate party timely or in the appropriate amounts. The Clerk did not perform monthly bank reconciliations or accountabilities for the Clerk or conservation bank accounts. We also found that the Board did not audit the records of the Clerk as required. Consequently, we found that personal checks were cashed from Town funds, the Clerk deposited \$490 in personal checks into the tax-collection account to cover apparent shortages, unsupported deposits of cash were made into all three bank accounts used by the Clerk, and the Clerk account had an unidentified balance of \$3,202 as of November 30, 2013.

Clerk

Town Law requires the Clerk to keep a suitable record of all moneys received and to deposit all moneys collected no later than the third business day after receiving an accumulated amount of \$250. It is

¹ The Deputy Town Clerks were the former Clerk to the Supervisor and the receptionist.

also critical that cash receipts are deposited intact² to reduce the risk of fraud and concealment. In addition, when there is no other evidence of collection (i.e., a copy of a license or permit), a duplicate press-numbered receipt should be issued to the customer with a copy retained in support of the collection. Town Law requires the Clerk to submit a monthly verified statement of all moneys received and remit such moneys to the Supervisor on or before the fifteenth of the month following receipt, and must also report and remit collections to other appropriate agencies. Furthermore, performing a monthly bank reconciliation and accountability provides the Clerk a timely opportunity to verify the accuracy of her financial records by reconciling known liabilities with cash on hand and on deposit in the bank.

Other than the Clerk submitting a monthly report³ to the Supervisor and Board, and the Supervisor performing a cursory review of the Clerk account and conservation account bank statements looking for unusual transactions, there was no oversight of the Clerk's financial operations related to Clerk fees. As a result, we identified significant internal control weaknesses in the collection and remittance of Clerk fees.

Collections – The Clerk did not maintain suitable financial records to account for collections. For example, the Clerk did not issue receipts for any collections⁴ nor did she maintain a cash receipts journal. In addition, the Clerk did not prepare itemized deposit slips⁵ and did not attach any supporting documentation to her validated deposit slips to support the deposits made. As a result, we could not trace collections for conservation licenses sales and other Clerk fees to a corresponding deposit to verify that they were deposited timely and intact. Consequently, we obtained bank compositions⁶ from the bank for six months of deposits⁷ totaling \$20,532 that were made into the conservation bank account during our audit period. We found that \$1,266 of the \$6,142 in checks (20 percent) that were included in

² In the same amount and form (cash or check) in which they were received

³ The monthly reports contained a detailed list of the prior month's collections and the corresponding remittances that were made based on those collections listed.

⁴ Duplicate press-numbered receipts were issued by the Code Enforcement Office for collections that were received for zoning fees and building permits that were then remitted to the Clerk for deposit.

⁵ Although deposit slips were prepared to show total cash and total checks being deposited, the deposit slips were not sufficiently itemized. Deposit slips did not list the individual payee, check number and amount.

⁶ Bank compositions consist of a copy of each check included in that deposit, along with a copy of the deposit slip.

⁷ We used a computerized random number generator to select six months during our audit period, which resulted in the selection of the months of April, July, October and December 2012, and May and November 2013.

the 33 deposits were deposited more than five days⁸ after receipt. For example, an \$88 check that was received on November 30, 2012 was not deposited until 31 days later on December 31. Based on the Clerk-maintained records, we could not determine if the \$14,390 in cash that made up the remainder of the deposits in our sample was deposited timely because we could not trace the cash that was included in the deposits to a corresponding conservation license sale.

We also reviewed the bank compositions for the deposits in our sample to determine if there were checks included that did not appear to be for a conservation license sale. We found that two deposits included checks that were not for sales. Specifically, a deposit on April 19, 2012 in the amount of \$430 included two personal checks from the former Clerk to the Supervisor⁹ that were issued on March 29, 2012 and April 1, 2012 in the amounts of \$20 and \$25, respectively. The Clerk stated that these checks were included in the deposit because they were either personal checks that the former Clerk to the Supervisor cashed against Town funds or repayments that the former Clerk to the Supervisor made on money she had borrowed.¹⁰ In addition, a deposit on November 14, 2013 in the amount of \$524 included a check that was issued to the Clerk from the Town in the amount of \$134 to replenish her petty cash fund. The Clerk stated that she must have deposited the check into the conservation account because she cashed the check with Town funds that were on hand, instead of cashing it at the bank. When personal checks are cashed against Town funds or Town funds are borrowed, accountability over the funds is lost, and there is no means to assure that all collections received are deposited.

We also obtained bank compositions for six months of deposits¹¹ totaling \$12,841 that were made into the Clerk account during our audit period to determine if there were checks included in the deposits that did not appear to be for a Town purpose. We noted no exceptions with these bank compositions.

⁸ Based on the Clerk's records, we could not determine when an amount of \$250 was accumulated. Therefore, we concluded that cash receipts were not deposited timely if they were deposited more than five days after receipt.

⁹ The former Clerk to the Supervisor was employed at the Town through the end of the 2012 fiscal year and the current Clerk to the Supervisor began employment at the Town on January 7, 2013.

¹⁰ See related audit comment entitled "Physical Security".

¹¹ We used a computerized random number generator to select six months during our audit period, which resulted in the selection of the months of March, May, August and December 2012, April and November 2013.

We reviewed six months of Code Enforcement Office cash receipts,¹² which included 63 receipts totaling \$8,137,¹³ to determine if they were deposited timely. We found that 26 of the 39 collections that consisted of payments with checks (67 percent) totaling \$1,616 were deposited more than five days after receipt. For example, a \$145 check that was received on May 11, 2012 was not deposited until 234 days later on December 31, 2012. Based on the Clerk-maintained records, we could not determine if the \$799 in cash that made up the remainder of the 24 collections in our sample were deposited timely because we could not trace these collections to a corresponding deposit.

The failure of the Clerk to issue receipts for collections, record collections in a cash receipts journal and deposit collections in a timely manner, increases the risk that errors or irregularities, including fraud and abuse, could occur and remain undetected. In addition, due to the Clerk's poor recordkeeping practices, and having personal checks being cashed against Town funds and employees borrowing Town funds, the Town lacks any assurance that all Clerk fees that were received were properly accounted for and deposited.

Remittances – We reviewed six months¹⁴ of collections related to the Clerk account and the conservation account to determine if corresponding remittances were made to the Supervisor and other appropriate agencies (i.e., NYS Department of Agriculture and Markets for dog license sales) in a timely manner and for the appropriate amounts. We found that two of the 16 remittances related to the Clerk account collections were not made timely. While the two late remittances were for immaterial amounts (\$30 and \$234), we found that since the Clerk did not maintain supporting documentation for collections of Clerk fees, we could not verify that the 16 remittances were for the appropriate amounts. However, the remittances, totaling \$10,129, were in agreement with the corresponding monthly Clerk reports.

The Clerk also did not include conservation license sales on her monthly reports that were submitted to the Supervisor and Board. As a result, we found that the Clerk only remitted commissions for conservation license sales to the Supervisor twice during our 23-month audit period, although Town Law requires that such moneys be remitted to the Supervisor on or before the fifteenth of

¹² We used a computerized random number generator to select six months during our audit period, which resulted in the selection of the months of March, May, August, and December 2012 and April and November 2013.

¹³ Composed of \$7,338 in checks and \$799 in cash

¹⁴ We used a computerized random number generator to select six months during our audit period, which resulted in the selection of the months of March, May, August, and December 2012, and April and November 2013.

the month following receipt. In addition, we found that commissions collected for the period January 1 through July 31, 2012 totaled \$333 per the account summary statements from the conservation license sales software (summary statements), but that \$1,600 was remitted to Supervisor on August 7, 2012, resulting in a variance of \$1,267. Similarly, we found that commissions, per the summary statements for the period August 1 through December 31, 2012, totaled \$1,014. However, \$2,893 was remitted to the Supervisor on December 31, 2012, resulting in a variance of \$1,879. The Clerk could not provide an explanation for these variances. As of November 30, 2013, the Clerk had also not remitted commissions totaling \$1,352 collected between January 1 and November 30, 2013 to the Supervisor.

Due to the Clerk’s insufficient support for collections and her remittances not agreeing between her records and reports, Town officials have limited assurance that all collections that were received were properly remitted to the Supervisor and other appropriate agencies.

Accountability – The Clerk did not perform monthly bank reconciliations or accountabilities of cash balances to liabilities. As a result, we performed month-end accountabilities for both the Clerk and conservation bank accounts for the months of December 2012 and November 2013 and found variances between the available cash and known liabilities, which Table 1 illustrates.

Table 1: Accountability			
Clerk Account			
Date	Cash Balance	Liabilities	Variance
December 31, 2012	\$325	\$261	\$64
November 30, 2013	\$3,387	\$185	\$3,202
Conservation Account			
Date	Cash Balance	Liabilities	Variance
December 31, 2012	\$3,106	\$149	\$2,957
November 30, 2013	\$3,230	\$3,149	\$81

The Clerk was unable to provide an explanation for the variances. Although we could not determine the cause of the \$64 variance in Clerk account as of December 31, 2012 and the \$81 variance in the conservation account as of November 30, 2013, we were able to determine the cause for a portion of the remaining two variances. We determined that \$874 of the \$3,202 variance for the Clerk account resulted because of a cash deposit by the Clerk on November 18, 2013, which the Clerk indicated was in a filing cabinet in the Town Hall basement. The Clerk could not identify the origin of the cash, but

stated that she would periodically store money in the filing cabinet if she was not going to make a deposit. The lack of a corresponding liability for the moneys stored in the filing cabinet indicates these moneys were not recorded in the Clerk's records when received.

We determined that a portion of the \$2,957 variance for the conservation account, as of December 31, 2012, resulted because of the Clerk not remitting commissions to the Supervisor on a monthly basis during the 2012 fiscal year. In addition, we found that conservation sales for December 2012 were \$149, but that \$3,220¹⁵ was deposited into the conservation account during that month, or \$3,071 more than the recorded sales. In fact, we found that the duplicate deposit slip for the \$1,410 deposit consisting of all cash that was made on December 31, 2012 was dated September 30, 2012. The Clerk did not have an explanation for the origin of the cash that was included in the deposits.

The Clerk's failure to perform monthly bank reconciliations or accountabilities of cash to known liabilities resulted in discrepancies that were not detected and corrected in a timely manner and unidentified balances in the Clerk and conservation bank accounts. The failure to reconcile bank accounts and liabilities significantly increases the risk of unauthorized use or disposition of cash collected and makes it more likely that the Clerk and other Town officials will not detect errors and irregularities in a timely manner.

Tax Collections

The Clerk, in her role as the Tax Collector, is accountable for all tax moneys collected by her office. Town Law and Real Property Tax Law set forth the legal requirements the Clerk must follow to record, deposit and remit taxes. The Clerk collects Town and County taxes pursuant to a warrant from Essex County and remits those taxes to the Supervisor and County Treasurer. The Clerk is responsible for the accurate and timely recording of tax collections in the accounting records and for depositing and securing all moneys collected. Town Law requires the Clerk to deposit all moneys collected within 24 hours of receipt. Properly recording the amount and form of payment received (i.e., cash or check) enables Town officials to trace these transactions from the point-of-collection through the accounting records to bank deposits, remittances to the Supervisor and County Treasurer and financial reports.

The Board does not receive any financial reports from the Clerk in regards to the collection of real property taxes. In addition, we found that the only oversight of the Clerk's tax collection activities was

¹⁵ The \$3,220 in deposits consisted of a \$200 deposit consisting of cash on December 19, 2012, a \$120 deposit consisting of \$32 in cash and an \$88 check on December 31, 2012, a \$1,410 deposit consisting of cash on December 31, 2012, and a \$1,490 deposit consisting of cash on December 31, 2012.

that the Supervisor performed a cursory review of the tax-collection account bank statements looking for unusual transactions.

We identified significant internal control weaknesses in the collection of real property taxes. The Clerk did not maintain adequate records to document tax collections. For example, the Clerk did not record the form of payment received in the tax collection computerized software program (program), although this option was available; did not prepare itemized deposit slips, and did not print out paid taxes reports from the tax collection program and attach them to her validated deposit slip to support the deposits that were made. As a result, we could not trace tax collections from the tax collection program to a corresponding deposit to verify that tax collections were deposited timely and intact. Consequently, we obtained bank compositions for 10 deposits¹⁶ totaling \$279,717 that were made into the tax-collection bank account during our audit period. We found that \$206,387 of the \$274,470 in checks (75 percent) included in the deposits were not deposited within 24 hours, as required by Town Law. For example, \$90,166 in checks that were recorded as received on January 13, 2013 were not deposited until nine days later on January 22. Based on the Clerk-maintained records, we could not determine if the \$5,247 in cash that made up the remainder of the deposits were deposited timely because we could not trace the cash included in the deposits to a corresponding tax payment(s) recorded in the tax collection program.

We also reviewed the bank compositions for these deposits to determine if there were checks included in the deposits that did not trace to a corresponding tax payment recorded in the tax collection program. We found that two of the 10 deposits included a personal check from the Clerk that did not trace to a corresponding tax payment. Specifically, a deposit on February 10, 2012 included a personal check from the Clerk in the amount of \$350. The Clerk stated that she deposited the personal check because she did not have enough money on hand when she went to make this deposit. In addition, a deposit on May 1, 2012 included a personal check from the Clerk in the amount of \$140. The Clerk stated that she deposited the personal check because she knew that her tax-collection bank account was short and that she would not be able to remit the entire amount owed to the Supervisor for interest and penalties for the 2012 fiscal year.

Our review of the tax-collection bank statements also noted that the Clerk deposited \$622 in cash into the tax-collection bank account on June 19, 2013. The Clerk could not identify the origin of the cash

¹⁶ We used a computerized random number generator to select five deposits from each of the 2012 and 2013 fiscal years, consisting of one deposit made in the months of January, February, March, April and May for both fiscal years.

that was deposited and stated that the deposit timing¹⁷ did not make sense to her. However, the Clerk would not have been able to remit the entire amount owed to the Supervisor for interest and penalties for the 2013 fiscal year without making this deposit.

The failure of the Clerk to maintain adequate records to document tax collections and deposit collections in a timely manner, increases the risk that such collections could be used for purposes other than as intended. In addition, the fact that the Clerk deposited \$490 in personal checks and unsupported cash of \$622 into her tax-collection account during the 2012 and 2013 fiscal years, respectively, is indicative that collections were either unaccounted for or missing.

Physical Security

The Clerk is responsible for ensuring those assets in her custody are physically secured and that unauthorized access to the assets is prevented. Undeposited cash must be secured in a vault or other locked storage medium until deposited in the bank and access to the vault or other storage medium must be restricted. When cash is not secured, there is an increased risk of loss or misuse.

The Clerk did not properly secure collections during our audit period. The Clerk stored all collections that were received at the Clerk's office, including real property taxes, Clerk fees, conservation license sales, user charges and transfer station ticket cash receipts, in a filing cabinet in the Clerk's office or a filing cabinet in the basement of the Town Hall prior to deposit. However, we found that the filing cabinet in the Clerk's office was readily accessible to other Town employees because the filing cabinet was unlocked during business hours. In addition, although the filing cabinet was locked at night, the Clerk stored the keys to the filing cabinet in her unlocked desk. Therefore, the filing cabinet was readily accessible to any employee who had a main key to the Town Hall. Furthermore, although the filing cabinet in the basement of the Town Hall where collections were also stored prior to deposit was located in a locked room, the filing cabinet was not locked, and the Supervisor, Clerk to the Supervisor, two Justices and receptionist had keys to unlock the room.

The Clerk stated that because she did not properly secure collections, the former Clerk to the Supervisor would readily take cash out of the filing cabinet in the Clerk's office and either leave a personal check or a note indicating that she owed the Town for the amount she borrowed. The Clerk stated that this occurred over several years and several times a week during 2012. As a result, the Clerk stated that there were instances in which she was short money when she went to make deposits. Therefore, she would either deposit her own personal

¹⁷ The deposit was made into the tax-collection bank account almost two months after the end of the collection period.

checks or cash to make the deposits whole. This provides a possible explanation for some of the discrepancies that were noted during our review of the Clerk's financial operations.

Because the Clerk did not properly secure collections, Town officials have little to no assurance that all collections that were received were deposited and that Town funds were not misappropriated.

Annual Audit

Town Law requires the Board to conduct or obtain an annual audit of the records and reports of any Town officer or employee who received or disbursed moneys on behalf of the Town in the preceding year. The purpose of this annual audit is to provide assurance that public moneys are handled properly (i.e., deposited in a timely manner, accurately recorded and accounted for), to identify conditions that need improvement, and to provide oversight of the Town's financial operations. A thorough annual review also provides the Board with an added measure of assurance that the financial records and reports contain reliable information on which to base management decisions. While the Board is required to audit the records of the Clerk at least annually, more frequent monitoring of the Clerk's financial activities helps reduce the risk that errors or irregularities will occur and go undetected.

The Board did not audit or obtain an audit of the Clerk's records for the 2012 fiscal year. The Board's failure to conduct an audit of the Clerk's records allowed the Clerk to maintain insufficient and inaccurate records and allowed for discrepancies to occur and remain undetected. Had the Board conducted the annual audit of the Clerk's records, some of the deficiencies found during our audit may have been identified and addressed sooner.

Recommendations

1. The Clerk should:
 - Issue duplicate receipts for all collections where no other evidence of receipt exists and maintain a cash receipts journal to account for all fees collected.
 - Distinguish whether receipts were received in cash or by check, both on deposit slips and when recording payments in the records.
 - Attach supporting documentation to the validated deposit slips to support the deposits that are made and ensure that all moneys collected by her office are deposited timely in compliance with statutory requirements and intact.

- Include conservation license sales on her monthly reports that are submitted to the Supervisor and Board.
- Remit all collections to the Supervisor in compliance with statutory requirements. The Supervisor should ensure that all remittances are supported and in the appropriate amounts.
- Prepare monthly bank reconciliations and accountabilities whereby known liabilities are reconciled to available cash. Any differences disclosed should be promptly investigated and resolved.
- Attempt to identify the source of the unidentified balances in the Clerk and conservation bank accounts. If the Clerk cannot identify the source of the balances, checks should be issued to the Supervisor in the same amount.
- Ensure collections are physically secured in a locked vault or other locked storage medium and should ensure access to collections is limited.

2. The Board should:

- Prohibit the cashing of personal checks from Town funds.
- Annually examine, or cause to be examined, the Clerk's financial records and reports detailing collections for Clerk fees and real property taxes. The Board should also consider providing more frequent monitoring of the Clerk's activities.

User Charges and Transfer Station Receipts

An effective system of internal controls over user charges and transfer station cash receipts includes policies and procedures to ensure that all moneys received are properly recorded, deposited and accounted for. The Board also must provide sufficient oversight of those officers and employees who receive cash.

The Town lacked comprehensive policies and procedures over user charges including an overall lack of segregation of duties and compensating controls. As a result, we identified significant internal control weaknesses over the billing, collection and enforcement of user charges. For example, the Board had not adopted all of the water rates and none of the sewer rates that were being charged to customers, customers were not billed for services received, adjustments were made to customer accounts without approval and deposits were not made timely and intact. In addition, the Town was not charging connection fees in accordance with the Board established rate, resulting in lost revenues to the Town of \$2,700. Furthermore, the Town was not properly assessing penalties to delinquent accounts and all delinquent accounts were not properly re-levied. As a result, the Town did not realize all potential revenues and did not properly enforce all delinquent accounts.

The Board and Town officials had also not established an adequate system of internal controls over transfer station cash receipts. For example, the Clerk did not maintain an accurate inventory of transfer station tickets, Town and Library personnel did not properly account for transfer station cash receipts, and cash receipts were not deposited timely. As a result, the Board and Town officials have little to no assurance that transfer station cash receipts are properly accounted for and increases the risk that such moneys could be used for purposes other than as intended.

User Charges

A well-designed system of internal controls over user charges requires that the Board establish policies and procedures that provide guidance and oversight for individuals involved in the billing, collection and enforcement of user charges.

The Town did not have comprehensive written policies and procedures to provide adequate guidance and internal controls over user charges and the Board provided only minimal oversight. As a result, we identified significant internal control weaknesses in the Town's billing, collection and enforcement procedures for user charges.

Segregation of Duties – It is important that policies and procedures provide for a proper segregation of duties so that a single individual does not control all aspects of a transaction. In instances where adequate segregation is not possible due to a limited number of staff, a detailed supervisory review of employees’ activities could ensure that policies and procedures are properly followed and that cash assets are properly accounted for, accurately reported and adequately protected.

There was a lack of segregation of duties over the billing, collection and enforcement of user charges. We found that the former Clerk to the Supervisor was responsible for maintaining the master file of customers, setting up the applicable rate that each customer would be charged, preparing and printing bills, collecting and posting payments, applying late fees to overdue accounts and making adjustments, with limited to no oversight. In addition, while we found that the current Clerk to the Supervisor does not collect payments, there is still a lack of segregation of duties because she is responsible for performing all of the other duties that the former Clerk to the Supervisor performed, with limited to no oversight. Concentrating key billing, collection and enforcement duties with one individual weakens internal controls and significantly increases the risk that errors or irregularities could occur and remain undetected.

Billing and Collection – The Board is responsible for establishing rates for all user charges and related fees and approving all billings to ensure users are billed accordingly. In addition, for those situations where billing adjustments are necessary, the Board must establish written procedures which address the approval and documentation process. A designated official must approve each adjustment and should adequately document its origination, justification, amount and date approved. Furthermore, good business practice requires cash and checks to be deposited daily, or as quickly as possible, to prevent the loss or misuse of cash. Furthermore, it is critical that Town officials deposit cash receipts intact to reduce the risk of fraud and concealment.

The Town recorded revenues for water charges of \$342,887 and sewer charges of \$243,882 during our audit period. The Town charges a flat rate to customers for water services and sewer services, except for one significant commercial property that is billed for water services based on metered usage. The Town bills for water services annually¹⁸ in July and for sewer services on a quarterly basis. Our review of the Town’s billing and collection procedures for user charges disclosed several deficiencies. For example, Town officials could not provide us

¹⁸ Starting with the third quarterly billing for sewer for the 2013 fiscal year, the Town billed sewer customers for their water services on a quarterly basis, instead of annually, as the Town previously had.

with documentation during our review that the Board had approved any of the water and sewer rates that were being used, except for the \$125 flat rate that was charged to residential customers for water service. We also found that the Town was charging certain customers a reduced senior citizen flat rate of \$92 annually for water services, but Town officials could not provide us with the eligibility requirements needed to receive the senior citizen rate. In addition, the Board did not receive or approve the water and sewer billing registers. Therefore, it had no means to assure that all customers were being properly billed. In fact, the Supervisor and current Clerk to the Supervisor stated that they could not ensure that all customers receiving water and sewer services were being billed.

We reviewed 50 water billings¹⁹ totaling \$6,904 and 50 sewer billings²⁰ totaling \$5,976 to determine if the rates charged agreed with the Board established rates,²¹ the billings were correctly recorded in the customers' accounts, payments equaled the amount billed, and the collection of payments were properly recorded in the customers' accounts. We did not identify any significant exceptions.

We also compared 50 water district parcels²² and 25 sewer district parcels²³ to the customer accounts within the billing and collection software to determine if customers were being billed for services. We found that 12 water district parcels and one sewer district parcels were vacant lots. Therefore, they were not receiving services and should not be billed. However, we found that for six of the remaining 38 water district parcels the customers were receiving water services, but were not being billed. In addition, we found that for one of the remaining 24 sewer district parcels the customer was receiving sewer services, but was not being billed. Because of the inadequacy of the Town's billing function, the Town is not billing all applicable parcels and thus not realizing all potential revenues for water and sewer services.

¹⁹ We used a computerized random number generator to select 25 water billings from the billing register for each of the 2012 and 2013 fiscal years.

²⁰ We used a computerized random number generator to select 12 sewer billings from the first quarterly billing register for the 2012 fiscal year, 13 sewer billings from the third quarterly billing register for the 2012 fiscal year, 12 sewer billings from the first quarterly billing register for the 2013 fiscal year, and 13 sewer billings from the third quarterly billing register for the 2013 fiscal year.

²¹ Since the Board only formally approved the flat rate charged to residential customers for water service, we used other methodologies to verify that all other customers in our samples were properly billed. Appendix B contains our methodologies.

²² We used a computerized random number generator to select 50 parcels from a real property tax listing from Essex County for the 2012 fiscal year of all the parcels within the Town's water district.

²³ We used a computerized random number generator to select 25 parcels from a real property tax listing from Essex County for the 2012 fiscal year of all the parcels within the Town's sewer district.

We also reviewed 25 adjustments²⁴ totaling \$9,219 that were made to water and sewer accounts during our audit period to determine if they were Board-approved prior to the adjustments being made and were for appropriate purposes. We found that all of the adjustments were made for appropriate purposes, but none were Board-approved. The failure of the Board to approve adjustments to customer accounts creates the risk that customers may receive adjustments to which they are not entitled or adjustments may be made to customer accounts to conceal the misappropriation of funds.

We also reviewed 20 deposits²⁵ totaling \$75,815 during our audit period to determine if user charges were deposited timely and intact. We found that 14 deposits contained cash receipts totaling \$16,575 that were deposited more than five days after receipt. For example, \$306 in sewer payments that were received on April 30, 2012 were not deposited until 16 days later on May 16, 2012. In addition, we found that two deposits were not made intact, which resulted because the Clerk allowed customers to pay for transfer station tickets using the same check that they paid their water bill with. Because the Clerk deposited water payments and transfer station cash receipts into separate bank accounts, when customers wrote a single check to pay for both, the Clerk would have to divide the collections received to make the deposits whole. When Town officials do not deposit cash receipts timely and intact, there is an increased risk that cash will be lost or misused.

We also reviewed all nine applications for new water service during our audit period and found that connection fees were collected and deposited for all the new customers that connected to the water district. However, we found the Town only charged each new customer \$450 for connection fees, although the Town's water policy establishes a \$750 charge for a new connection to the water district. As a result, the Town was not charging connection fees in accordance with the Board established rate, resulting in lost revenues to the Town of \$2,700. The Supervisor stated that he was not aware that the Town's water policy²⁶ established a \$750 charge for a new connection to the water district. Therefore, the Town used the \$450 rate that had been historically charged to customers for connecting to the Town's water district.

Enforcement – The Town's water policy establishes that water charges are due within 30 days of billing and all current charges outstanding after 30 days will be assessed a 10 percent penalty. Similarly, the

²⁴ Our sample consisted of selecting, without any known bias, 12 adjustments that were made during the 2012 fiscal year and 13 adjustments that were made during the 2013 fiscal year.

²⁵ Our sample consisted of selecting, without any known bias, 20 deposits that were made throughout our audit period.

²⁶ Town Water Policy as amended on April 13, 2009

Town's sewer ordinance²⁷ establishes that sewer charges are due within 30 days of the start of a new quarter and all current charges outstanding after 30 days will be assessed a 3 percent penalty. It is the responsibility of Town officials to ensure that penalties on delinquent customer accounts are properly charged and collected. The Town's water policy and sewer ordinance also establish that if payment is not received by the end of the collection period, all delinquent amounts will be re-levied.²⁸ The Board should review and approve the list of re-levied water and sewer accounts by comparing it to a delinquent customer account report from the billing and collection software to ensure that all accounts are properly re-levied by Town officials.

We reviewed 30 delinquent customer accounts²⁹ at the due dates during our audit period to determine if the Town was properly assessing penalties and found that penalties were not properly assessed to 21 customers (70 percent). For example, we found that for 16 customers, a penalty was never assessed. In addition, we found that for the remaining five customers, their payment included the amount that they were billed and the penalty amount, but because they were not assessed a penalty in the billing and collection software, it resulted in their customer accounts being credited with an overpayment in the amount of the penalty that should have been assessed. Although the lost revenue to the Town associated with these errors is minor, the number of errors identified during our testing indicates that the Town's process for assessing penalties to delinquent accounts needs substantial improvement.

The Board reviewed and approved the list of re-levied water and sewer accounts that Town officials prepared and sent to Essex County. However, we found that the Board did not compare the list of re-levied water and sewer accounts to a delinquent customer account report from the billing and collection software and, therefore, could not ensure that all accounts were properly re-levied. As a result, we reviewed 30 delinquent customer accounts³⁰ totaling \$4,914 at the end of the collection periods during our audit period to determine if they were re-levied and in the proper amount. We found that six of the 15 delinquent accounts that we reviewed for the 2012 fiscal year were not included on the list of re-levied accounts that was sent to Essex County, resulting in delinquent accounts totaling \$704 not

²⁷ Wastewater treatment/user charge ordinance of 1995

²⁸ A re-levy adds unpaid user charges to the property owner's real property tax bill.

²⁹ Our sample consisted of selecting, without any known bias, 15 delinquent accounts during the 2012 fiscal year and 15 delinquent accounts during the 2013 fiscal year.

³⁰ Our sample consisted of selecting, without any known bias, 15 delinquent accounts at the end of the collection period during the 2012 fiscal year and 15 delinquent accounts at the end of the collection period during the 2013 fiscal year.

being properly enforced. This resulted because the former Clerk to the Supervisor was intentionally not re-levying all delinquent accounts. In fact, during our review, the Supervisor provided us with a letter that was prepared by the former Clerk to the Supervisor addressed to a customer that indicated delinquent accounts were recently submitted to Essex County, but that she retained the customer account because the customer had always maintained their account up-to-date; therefore, could pay her directly through the middle of January of 2013.

In addition, we found that for seven of the 15 delinquent accounts that we reviewed for the 2013 fiscal year, although they were included on the list of re-levied accounts that was sent to Essex County, the proper amount was not re-levied because penalties were not properly assessed to these accounts. The amounts associated with these discrepancies were minor; however, the Board's failure to ensure that all delinquent accounts are properly re-levied could prevent or result in the delay of collections and further increases the potential for errors or the misappropriation of funds.

Transfer Station

A well-designed system of controls over transfer station cash receipts requires that the Board establish policies and procedures that provide for the timely supervision of those charged with handling moneys, the issuance of press-numbered transfer station tickets (tickets) in sequence, and a comparison of the amounts deposited with the amounts collected. When Town employees receive payments, it is important that they record the type of payment received so that Town officials can ensure that deposits are made intact. Good business practice also requires cash and checks to be deposited daily, or as quickly as possible, to prevent the loss or misuse of cash. It is also essential to maintain an inventory of all tickets that are purchased, issued and sold. An accurate inventory is an effective tool that allows Town officials to ensure that all ticket sales are accounted for and it helps them monitor sales operations more effectively.

The Town of Essex operates a transfer station which is used by residents of the Towns of Essex and Willsboro. The Town purchases tickets from the Town of Essex to be sold to its residents. Separate colored tickets³¹ are printed for each Town in \$5, \$10 and \$20 denominations. The Clerk maintains tickets in the Clerk's office to be sold by the Deputy Clerk and herself and also issues them to the Director of the Paine Memorial Library (Library) to be sold by

³¹ The Town of Essex tickets are orange and the Willsboro tickets are pink. Starting in July 2013 the Town of Essex sold blue tickets to the Town to be sold by the Paine Memorial Library. Prior to July 2013 the Town issued the Library a portion of their pink tickets to sell to residents.

employees at the Library. The Town recorded \$28,750 in revenue from transfer station tickets sales during our audit period.

The Town did not have comprehensive written policies and procedures to provide adequate guidance and internal controls over transfer station cash receipts. Consequently, there was a lack of adequate internal controls over transfer station cash receipts. For example, the Clerk did not maintain an accurate inventory of all tickets purchased, issued and sold. In fact, before separate colored tickets were printed for the Library, the Clerk would issue the Library tickets from the Clerk's batch, but would not always document the tickets that were issued to the Library. The Clerk also did not request the Library Director to provide her with any documentation of the ticket sales when remitting cash receipts to her for deposit. In addition, the Board and Town officials did not perform a periodic review of the Clerk's transfer station records. As a result, Town officials could not ensure that all ticket sales were accounted for and properly deposited.

We reviewed 600 tickets³² totaling \$8,500 to determine if tickets were issued in sequential order and were accounted for. We found that all tickets were not issued in sequential order. For example, during the period December 21, 2012 through January 9, 2013, the Clerk's office sales log recorded that tickets 65417, 65423 and 65418 were sold consecutively. In addition, ticket 65423 was recorded as being sold on December 21, 2012 and also on January 16, 2013. We also found that ticket 61378 in the amount of \$20, which was issued to the Library to be sold, was not recorded as being sold and was not on hand during our review. The Director did not have an explanation for what happened with ticket 61378 during our review, but stated that the Library recently switched to only selling tickets when the Town Hall is closed because the Library would frequently have tickets or cash receipts missing. The Director stated that when this occurred she would make up for the difference using other Library revenue to cover any shortages related to transfer station ticket sales.

We also reviewed 225 tickets³³ totaling \$3,000 that were sold at the Clerk's office and 120 tickets³⁴ totaling \$1,700 that were sold at the Library to determine if cash receipts were collected and deposited for tickets that were recorded as sold. We did not identify any discrepancies. We also reviewed 10 deposits³⁵ totaling \$4,925 during our audit period to determine if cash receipts for the sale of tickets were deposited timely and intact. We found that all 10 deposits contained

³² Appendix B contains our sampling methodology

³³ Ibid.

³⁴ Ibid.

³⁵ Our sample consisted of randomly selecting 10 deposits that were made throughout our audit period, which consisted of seven deposits for sales of tickets at the Clerk's office and three deposits for sales of tickets at the Library.

cash receipts with a combined total of \$3,940 (approximately 80 percent of the total amount deposited), that were deposited more than five days after receipt. For example, \$60 in cash receipts that were received at the Clerk's office on February 4, 2012 were not deposited until 23 days later on February 27, 2012. In addition, \$40 in cash receipts that were received at the Library on March 3, 2012 were not deposited until 165 days later on August 15. We could not determine if any of the deposits were made intact because the sales logs maintained by employees of the Clerk's office and the Library do not include the type of payments received. Nonetheless, we obtained bank compositions for these deposits and determined that all of the checks that were included in the compositions were in agreement with the customer names and amounts that were recorded on the corresponding sales logs.

Although we did not find any significant monetary discrepancies, the lack of internal controls provides little to no assurance that transfer station cash receipts are properly accounted for, and increases the risk that errors could occur or such moneys could be used for purposes other than as intended.

Recommendations

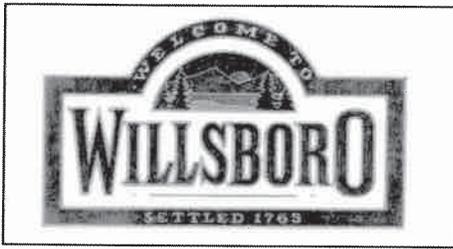
3. The Board and Town officials should establish written policies and procedures to provide adequate guidance and internal controls over the billing, collection and enforcement of user charges.
4. Town officials should segregate duties over the billing, collection and enforcement of user charges or if it is not practicable to segregate duties, establish appropriate compensating controls, such as increased management review procedures.
5. The Board should establish and approve a schedule of water and sewer rates to be charged for water and sewer services and establish the specific eligibility requirements for senior citizens to receive the discounted water rate.
6. The Clerk to the Supervisor should generate billing registers for each water and sewer billing, which should be Board-reviewed and approved.
7. Town officials should review and update the master file of water and sewer customers to ensure that all customers receiving services are being billed and ensure that new customers that connect to the water district are charged connection fees in accordance with the Board established rate.
8. The Board should review and approve all adjustments made to customers' accounts and ensure that they are adequately

documented or designate someone independent of the billing and collection of user charges to perform these functions.

9. Town officials should ensure that water and sewer collections and transfer station cash receipts are deposited timely and intact.
10. The Board and Town officials should ensure that penalties are correctly assessed on all delinquent accounts in accordance with the Town's water policy and sewer ordinance.
11. The Board should review and approve the list of re-levied water and sewer accounts by comparing it to a delinquent customer account report from the billing and collection software to ensure that all delinquent accounts are properly re-levied on real property tax bills.
12. The Board and Town officials should establish a comprehensive transfer station cash receipts policy that communicates the duties, records and procedures required for ensuring that the collection of moneys, issuance of tickets and deposit of moneys received are properly carried out.
13. The Clerk should maintain an accurate inventory of all tickets purchased, issued and sold. An individual independent of the transfer station cash receipts process should periodically review the inventory records and inventory on-hand. Any discrepancies should be promptly identified and resolved.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



TOWN OF WILLSBORO
OFFICE OF THE SUPERVISOR

July 10, 2014

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

Subj: Combined Response Letter and Corrective Action Plan for Audit of Town of Willsboro NY

“Internal Controls Over Selected Financial Operations” 2014M-68

To Whom it May Concern,

The Town Of Willsboro concurs with the findings of the subject audit report without comment. This response is combined with a proposed corrective action plan for recommendations provided in the subject report. The Town of Willsboro appreciates the professionalism and courtesy afforded by audit team. An outstanding oral debrief was conducted at completion of the audit. The Supervisor and Town Clerk were newly elected at the completion of the audit. The issues and recommendations briefed at that time allowed the staff to initiate immediate corrective actions.

The following are the specific recommendations and corrections completed or proposed:

Town of Willsboro
Internal Controls Over Selected Financial Operations
2014M-68

Audit Recommendation: (1)

- a) Issue duplicate receipts for all collections where no other evidence of receipt exists and maintain a cash receipts journal to account for all fees collected.
- b) Distinguish whether receipts were received in cash or by check, both on deposit slips and when recording payments in the records.
- c) Attach supporting documentation to the validated deposit slips to support the deposits that are made and ensure that all moneys collected by her office are deposited timely in compliance with statutory requirements and intact.

5 FARRELL ROAD, PO BOX 370, WILLSBORO, NY 12996
PHONE: (518) 963-8668 WEBSITE: www.townofwillsboro.com

- d) Include conservation license sales on her monthly reports that are submitted to the Supervisor and Board.
 - e) Remit all collections to the Supervisor in compliance with statutory requirements. The Supervisor should ensure that all remittances are supported and in the appropriate amounts.
 - f) Prepare monthly bank reconciliations and accountabilities whereby known liabilities are reconciled to available cash. Any differences disclosed should be promptly investigated and resolved.
 - g) Attempt to identify the source of the unidentified balances in the Clerk and conservation bank accounts. If the Clerk cannot identify the source of the balances, checks should be issued to the Supervisor in the same amount.
 - h) Ensure collections are physically secured in a locked vault or other locked storage medium and should ensure access to collections is limited.

Implementation Plan of Action:

All items implemented following audit oral debrief.

- a) Accounting software installed and implemented. Paper receipts issued for all collections.
- b) Receipts in cash or check annotated on receipts and on bank deposit slips.
- c) Conservation license sales are included in Town Clerk monthly report to Town Board.
- d) All collections are remitted to the Supervisor in a timely fashion within statutory requirements. Documentation on remittances is included , and supports amounts remitted.
- e) Bank reconciliations are conducted on regular and frequent basis and reconciled with available cash on hand. Discrepancies are immediate reported and resolved.
- f) Per examiners recommendations, sources of Clerk account funds in outgoing Clerk's accounts were unable to be reconciled. Accounts were closed out and balances remitted to the Supervisor.
- g) Collections are physically secured under a new lock and safe system installed immediately following the audit oral debrief.

Implementation Date: All recommendations previously implemented.

Person Responsible for Implementation: Bridget Brown, Town Clerk

Audit Recommendation: (2)

The Board should:

- a) Prohibit the cashing of personal checks from Town funds.
- b) Annually examine, or cause to be examined, the Clerk's financial records and reports detailing collections for Clerk fees and real property taxes. The Board should also consider providing more frequent monitoring of the Clerk's activities.

Implementation Plan of Action:

- a) The Town Board Passed a Resolution Prohibiting the cashing of personal checks from town funds on 09 July 2014.

- b) The Town Board appointed an Audit Committee to regularly review the Clerks financial records, reports of collections, and other financial responsibilities. Audit guidelines recommended by NYS SC to be used.

Implementation Date: All recommendations previously implemented.
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (3) The Board and Town officials should establish written policies and procedures to provide adequate guidance and internal controls over the billing, collection and enforcement of (water) user charges.

Implementation Plan of Action: The Town's water policy is currently being rewritten and reviewed. Once approved by the Town Board, a public hearing will be held followed by adoption of new policy that will address internal controls and procedures for billing, collection, and enforcement.

Implementation Date: August 15, 2014.
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (4) Town officials should segregate duties over the billing, collection and enforcement of user charges, or if it is not practicable to segregate duties, establish appropriate compensating controls, such as increased management review procedures.

Implementation Plan of Action: The Town's water policy is currently being rewritten and reviewed. Once approved by the Town Board, a public hearing will be held followed by adoption of new policy that will address procedures, duties, and enforcement of water charges.

Implementation Date: August 15, 2014.
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (5) The Board should establish and approve a schedule of water and sewer rates to be charged for water and sewer services and establish the specific eligibility requirements for senior citizens to receive the discounted water rate.

Implementation Plan of Action: The Town's water policy is currently being rewritten and reviewed. Once approved by the Town Board, a public hearing will be held followed by adoption of new policy that will water rate schedules.

Implementation Date: August 15, 2014.
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (6) The Clerk to the Supervisor should generate billing registers for each water and sewer billing, which should be Board-reviewed and approved.

Implementation Plan of Action: At the time of each quarterly billing the Supervisor will ensure that billing registers are submitted to the Town Board for review and approval.

Implementation Date: July 9, 2014.
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (7) Town officials should review and update the master file of water and sewer customers to ensure that all customers receiving services are being billed and ensure that new customers that connect to the water district are charged connection fees in accordance with the Board established rate.

Implementation Plan of Action: Completed. A full audit was conducted of water district properties, residences, and billing registers following completion of the audit. The water policy in draft is addressing procedures for new hoop-up administration and billing.
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (8) The Board should review and approve all adjustments made to customers' accounts and ensure that they are adequately documented, or designate someone independent of the billing and collection of user charges to perform these functions.

Implementation Plan of Action: All water rate adjustments will be approved by the Town Board prior to implementation.
Implementation Date: July 9, 2014
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (9) Town officials should ensure that water and sewer collections and transfer station cash receipts are deposited timely and intact.

Implementation Plan of Action: Completed
Implementation Date: Immediately following audit oral debrief
Person Responsible for Implementation: Shaun Gilliland, Supervisor; Bridget Brown, town Clerk

Audit Recommendation: (10) The Board and Town officials should ensure that penalties are correctly assessed on all delinquent accounts in accordance with the Town's water policy and sewer ordinance.

Implementation Plan of Action: Completed
Implementation Date: Immediately following audit oral debrief
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (11) The Board should review and approve the list of re-levied water and sewer accounts by comparing it to a delinquent customer account report from the billing and collection software to ensure that all delinquent accounts are properly re-levied on real property tax bills.

Implementation Plan of Action: As a matter of policy the Supervisor will provide the Town Board with the proposed re-levy list for approval prior to submission to the County tax authority. This will be reflected in the re-written Town Water Policy.
Implementation Date: August 15, 2014
Person Responsible for Implementation: Shaun Gilliland, Supervisor

Audit Recommendation: (12) The Board and Town officials should establish a comprehensive transfer station cash receipts policy that communicates the duties, records and procedures required for ensuring that the collection of moneys, issuance of tickets and deposit of moneys received are properly carried out.

Implementation Plan of Action: The Town Clerk will draft and submit for board approval a policy concerning transfer station ticket management, control, and accounting.

Implementation Date: August 15, 2014

Person Responsible for Implementation: Bridget Brown, Town Clerk

Audit Recommendation: (13) The Clerk should maintain an accurate inventory of all tickets purchased, issued and sold. An individual independent of the transfer station cash receipts process should periodically review the inventory records and inventory on-hand. Any discrepancies should be promptly identified and resolved.

Implementation Plan of Action: The Town Clerk will draft and submit for board approval a policy concerning transfer station ticket management, control, and accounting.

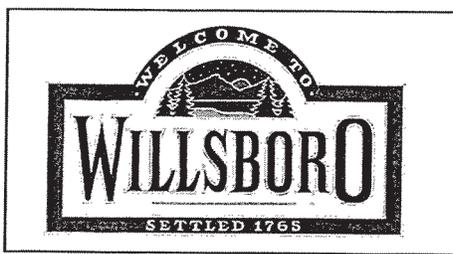
Implementation Date: August 15, 2014

Person Responsible for Implementation: Bridget Brown, Town Clerk

Very Respectfully,

Shaun Gilliland

Cc: Town Board
Town Clerk



TOWN OF WILLSBORO
OFFICE OF THE SUPERVISOR

**RESOLUTION APPROVING RESPONSE AND CORRECTIVE ACTION PLAN TO
THE NEW YORK STATE COMPTROLLER DRAFT REPORT OF EXAMINATION
OF THE TOWN OF WILLSBORO INTERNAL CONTROLS OVER SELECTED
FINANCIAL OPERATIONS**

The following Resolution was offered by Councilperson Charles Lusting, who moved its adoption.

WHEREAS, The New York State Comptroller has issued the draft report of Examination titled, "Internal Controls Over Selected Financial Operation January 1, 2012 – November 30, 2013", Report number 2014M-68; and,

WHEREAS, A response is required from the Town of Willsboro within 30 days of issuance of the report, and a Corrective Action Plan is required within 90 days, and a combined report may be submitted with 30 days; and

WHEREAS, The Supervisor, in consultation with the Town Clerk, have drafted a combined response for submittal dated July 10, 2014; therefore,

BE IT RESOLVED, that the Town Board of the Town of Willsboro approves the combined response and corrective plan for signature by the Supervisor and submittal to the New York State Comptroller.

This Resolution was duly Seconded by Councilperson Lane Sayward, and adopted, upon roll-call vote as follows:

Gilliland
Lustig
Benway
Sayward

Town Clerk _____

Certified by Bridget Brown

Date 7/10/2014

Seal

5 FARRELL ROAD, PO BOX 370, WILLSBORO, NY 12996
PHONE: (518) 963-8668 WEBSITE: www.townofwillsboro.com

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls officials put in place to safeguard Town assets. 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.

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions and reviewed pertinent documents, such as Town policies, Board minutes and 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 potential fraud, theft and/or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected Clerk financial activities, user charges and transfer station cash receipts for further audit testing.

To accomplish our Clerk audit objective and obtain relevant audit evidence, our procedures included the following:

- We interviewed the Clerk and Town officials. We reviewed various financial records and reports related to the Clerk's financial activities to gain an understanding of the internal controls over the collection, recording, depositing, disbursing, reconciling and reporting of Clerk fees and real property taxes, and any associated effects of deficiencies found in those controls.
- We obtained bank compositions for a random sample of six months of deposits that were made into the conservation bank account during our audit period to determine if the checks that were included in the deposits were deposited timely and to ensure that there were no checks included in the deposits that did not appear to be for a conservation license sale.
- We obtained bank compositions for a random sample of six months of deposits that were made into the Clerk account during our audit period to ensure that there were no checks included in the deposits that did not appear to be for a Town purpose.
- We reviewed a random sample of six months of Code Enforcement Office cash receipts to determine if they were deposited timely.
- We reviewed a random sample of six months of collections related to the Clerk account and the conservation account to determine if corresponding remittances were made to the Supervisor and other appropriate agencies in a timely manner and for the appropriate amounts.
- We performed month-end accountabilities for both the Clerk and conservation bank accounts for the months of December 2012 and November 2013 in order to determine if there were any differences between the available cash and known liabilities. We then investigated and attempted to resolve any differences that were disclosed.

- We obtained bank compositions for a random sample of 10 deposits that were made into the tax-collection bank account during our audit period to determine if the checks that were included in the deposits were deposited timely and to ensure that there were no checks included in the deposits that did not trace to a corresponding tax payment recorded in the tax collection software.
- We physically inspected the location of collections prior to deposit to determine if they were safeguarded and accessible to only authorized employees.
- We interviewed Town officials and reviewed the Board minutes to find evidence that the Board had examined the financial records and reports of the Clerk during the 2012 fiscal year.

To accomplish our user charges and transfer station cash receipts audit objective and obtain relevant audit evidence, our procedures included the following:

- We interviewed Town officials and employees. We reviewed Town policies, the Board minutes, and various financial records and reports related to user charges to gain an understanding of the internal controls over the billing, collection and enforcement of user charges, and any associated effects of deficiencies found in those controls.
- We reviewed a random sample of 50 water billings and 50 sewer billings to determine if rates charged agreed with the Board established rates, the billings were correctly recorded in the customers' accounts, payments equaled the amount billed, and the collection of payments were properly recorded in the customers' accounts. We concluded that water billings were properly prepared for all customers that were charged rates other than the \$125 flat rate approved by the Board if the rates that they were charged were in agreement with the rates established in the Town's water policy plus the percentage increase in the residential rate that was approved by the Board. We concluded that sewer billings were properly prepared if the amount that customers were billed was in agreement with the amount that they were historically billed.
- We compared a random sample of 50 water district parcels and 25 sewer district parcels to the customer accounts within the billing and collection software to determine if customers were being billed for services.
- We reviewed a sample of 25 adjustments that were made to water and sewer accounts during our audit period to determine if they were Board-approved prior to the adjustments being made and were for appropriate purposes.
- We reviewed a sample of 20 deposits of user charges during our audit period to determine if user charges were deposited timely and intact.
- We reviewed all nine applications for new water service during our audit period to determine if connection fees were properly charged, collected and deposited for all nine new customers that connected to the water district.
- We reviewed a sample of 30 delinquent customer accounts at the due dates during our audit period to determine if the Town was properly assessing penalties.

- We reviewed a sample of 30 delinquent accounts at the end of the collection periods during our audit period to determine if they were re-levied and re-levied in the proper amount.
- We interviewed Town officials and the Library Director. We reviewed Town policies and various financial records and reports related to transfer station cash receipts to gain an understanding of the internal controls over transfer station cash receipts, and any associated effects of deficiencies found in those controls.
- We reviewed a sample of 600 tickets to determine if tickets were issued in sequential order and were accounted for. Our sample consisted of the random selection of six sets of 50 \$20 tickets, four sets of 50 \$10 tickets and four sets of 25 \$5 tickets.
- We reviewed a sample of 225 tickets that were sold at the Clerk's office and a sample of 120 tickets that were sold at the Library during our audit period to determine if cash receipts were collected and deposited for tickets that were recorded as sold. Our sample for the Clerk's office consisted of the selection, without any known bias, of four sets of 25 \$20 tickets, three sets of 25 \$10 tickets, and two sets of 25 \$5 tickets. Our sample for the Library consisted of the selection, without any known bias, of one set of 30 \$20 tickets, one set of 20 \$20 tickets, one set of 10 \$20 tickets, one set of 20 \$10 tickets, two sets of 10 \$10 tickets and two sets of 10 \$5 tickets.
- We reviewed a sample of 10 deposits of transfer station cash receipts during our audit period to determine if cash receipts for the sale of tickets were deposited timely and intact.

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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