



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

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Shaun Gilliland, Supervisor
Members of the Town Board
Town of Willsboro
5 Farrell Road
Willsboro, New York 12996

Report Number: 2014M-68-F

Dear Supervisor Gilliland and Members of the Town Board:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage Town officials to reduce costs, improve service delivery and account for and protect their Town's assets. In accordance with these objectives, we conducted an audit of the Town of Willsboro (Town) to assess the internal controls over selected financial operations of the Town. As a result of our audit, we issued a report, dated July 2014, identifying certain conditions and opportunities for Town management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Town in May 2016 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Town personnel and the inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Town has made limited progress implementing corrective action. The audit report included 13 numbered audit recommendations. However, recommendation 1 consisted of eight separate bulleted recommendations and recommendation 2 consisted of two separate bulleted recommendations, resulting in a total of 21 separate audit recommendations in the report. Of the 21 audit recommendations, eight recommendations were implemented, eight recommendations were partially implemented and five recommendations were not implemented.

Recommendation 1 (8 bulleted items addressed)
Town Clerk/Tax Collector Financial Operations

Bullet 1 – The Town 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.

Status of Corrective Action: Fully Implemented

Observations/Findings: Subsequent to our audit, the Town purchased new software which is used by the Town Clerk (Clerk) to record all collections for Clerk fees, code enforcement fees and transfer station ticket sales. We observed that when a collection is entered into the software, the customer is issued a computerized receipt from the software. In addition, at the end of each month, the Clerk enters the total amount of conservation license sales for the month into the new software as a single receipt because conservation license sales are recorded in a separate conservation license software throughout the month. This allows the Clerk to generate a cash receipts journal from the new software containing all fees collected for the month. We verified that the new software is being used as intended.

Bullet 2 – The Town Clerk should distinguish whether receipts were received in cash or by check, both on deposit slips and when recording payments in the records.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the Clerk’s financial records from January 1, 2015 through April 30, 2016 and found that the Clerk distinguishes whether receipts were received in cash or by check when recording payments in the records. Specifically, for Clerk fees, code enforcement fees and transfer station ticket sales, the Clerk records the type of payment in the Clerk software. For conservation license sales, the Clerk records the type of payment in the conservation license software. For real property taxes, the Clerk manually records the type of payment on an individual billing stub that is retained for each payment received. However, we found the Clerk does not prepare itemized deposit slips to distinguish whether receipts being deposited were cash or checks.

Bullet 3 – The Town Clerk should 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.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the Clerk’s financial records from January 1, 2015 through April 30, 2016 and found that the Clerk attaches supporting documentation to the validated deposit receipts to support the deposits that are made. We also reviewed all 69 Clerk-related collections¹ totaling \$13,596 during March 2016² and all 152 real property tax collections totaling \$126,494 during March 2016³ to determine whether collections were deposited timely and intact. We found that 18 Clerk-related collections (26 percent) totaling \$4,137 and 98 real property tax collections (65 percent) totaling \$78,835 were not deposited timely. For example, \$3,291 of collections that were received at the Clerk’s office on March 21, 2016 for Clerk fees were not deposited until 11

¹ These collections were for Clerk fees, code enforcement fees and conservation license sales that were collected by the Clerk’s office. The Clerk’s office also receives collections for user charges and transfer station ticket sales, which are addressed under recommendation nine below.

² We used a computerized random number generator to select one month during January 1, 2016 through April 30, 2016.

³ Ibid.

days later on April 1, 2016. In addition, \$14,930 of collections that were received at the Clerk's office on March 21, 2016 for real property tax payments were not deposited until seven days later, on March 28, 2016. Furthermore, the Clerk does not prepare itemized deposit slips and the validated deposit receipts obtained from the bank do not include the composition of each deposit. As a result, we could not trace collections to corresponding deposit documentation to determine whether the collections were deposited intact.

Bullet 4 – The Town Clerk should include conservation license sales on her monthly reports that are submitted to the Supervisor and Board.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the monthly reports that were submitted by the Clerk to the Supervisor and Board members from January 1, 2016 through April 30, 2016 and found that they all included the corresponding conservation license sales for the month.

Bullet 5 – The Town Clerk should 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.

Status of Corrective Action: Partially Implemented

Observations/Findings: We found that, at the end of each month, the Clerk remits the Town's share of Clerk collections to the Supervisor accompanied by a monthly Clerk report to support the amounts remitted. We reviewed two months⁴ of Clerk-related collections to determine whether the corresponding remittances were made in a timely manner and for the appropriate amounts. We did not identify any exceptions.

We also reviewed all four remittances for real property tax collections totaling \$1,580,295 that were made by the Clerk to the Supervisor during the 2016 fiscal year to determine whether the remittances were made in a timely manner and for the appropriate amounts. We found that none of the four remittances were made in a timely manner. For example, the Clerk did not remit tax collections to the Supervisor at least once each week until the Town's portion of the tax levy was satisfied. Therefore, the Clerk did not comply with statutory requirements. In addition, we found that one of the remittances was not for the appropriate amount. Specifically, on May 10, 2016, the Clerk remitted \$11,286 to the Supervisor for interest and penalties, but we found that \$4,504 of this remittance consisted of water and sewer collections that were deposited into the tax collection bank account in error during April 2016. Town officials were not aware of this error until we notified them of it. This error occurred and remained undetected because the Supervisor did not require the Clerk to provide him with supporting documentation for the amount remitted to him for interest and penalties on tax collections.

⁴ We used a computerized random number generator to select two months during January 1, 2016 through April 30, 2016, which resulted in the selection of the months of January and March 2016.

Bullet 6 – The Town Clerk should prepare monthly bank reconciliations and accountabilities whereby known liabilities are reconciled to available cash. Any differences disclosed should be promptly investigated and resolved.

Status of Corrective Action: Not Implemented

Observations/Findings: We interviewed the Clerk and found that she does not prepare monthly bank reconciliations or accountabilities to verify that known liabilities are reconciled to available cash. Instead, the Clerk stated that at the conclusion of each month she compares the balances of her checkbook registers to the corresponding bank account bank statement and monthly Clerk report to determine whether the amounts are close. As a result, we performed month-end accountabilities for both the Clerk and conservation bank accounts for the month of April 2016 and found variances between the available cash and known liabilities for both accounts. Specifically, known liabilities exceeded available cash by \$58 for the Clerk account and by \$10 for the conservation account, resulting in a combined cash shortage of \$68, as of April 30, 2016. The Clerk was not aware of these discrepancies until we notified her of them.

Bullet 7 – The Town Clerk should 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.

Status of Corrective Action: Fully Implemented

Observations/Findings: We interviewed the Supervisor and he stated that the former Clerk was only able to identify the source of \$45⁵ of the \$3,202 unidentified balance in the Clerk bank account and none of the \$81 unidentified balance in the conservation bank account, which were identified in our previous audit report. However, we found that the former Clerk issued checks to the Supervisor for the remaining unidentified balance of \$3,238 prior to her term ending on December 31, 2013.

Bullet 8 – The Town Clerk should ensure collections are physically secured in a locked vault or other locked storage medium and should ensure access to collections is limited.

Status of Corrective Action: Fully Implemented

Observations/Findings: We observed the location of collections and found that the Clerk stores all collections that are received at the Clerk's office, including real property taxes, Clerk fees, code enforcement fees, conservation license sales, user charges and transfer station ticket sales, in a locked filing cabinet in the Clerk's office. The Clerk stated that she and the Deputy Clerk are the only Town officials with a key to unlock the filing cabinet.

⁵ The \$45 was owed to the New York State Department of Health and we verified that a check was issued to the agency by the former Clerk.

Recommendation 2 (2 bulleted items addressed)
Cashing of Personal Checks and Annual Audit

Bullet 1 – The Board should prohibit the cashing of personal checks from Town funds.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted a resolution on July 9, 2014 prohibiting the cashing of personal checks against Town petty cash drawers.

Bullet 2 – The Board should 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.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed the Board minutes and interviewed the Supervisor and Clerk and found that the Board did not audit, or cause to be audited, the Clerk’s financial records and reports for the 2015 fiscal year. In addition, other than the Board approving the monthly Clerk’s reports which the Clerk provides, the Board does not provide any additional monitoring of the Clerk’s activities.

Recommendation 3 – User Charges Policy

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.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed the Town’s policies and interviewed Town officials. We found that the Town has not established any written policies and procedures that provide adequate guidance and internal controls over the billing, collection and enforcement of user charges.

Recommendation 4 – Segregation of Duties

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.

Status of Corrective Action: Fully Implemented

Observations/Findings: We interviewed Town officials and found that the Town has altered duties so that there is segregation of duties over the billing, collection and enforcement of user charges. Specifically, the Clerk to the Supervisor is responsible for preparing and issuing bills (billing). The Clerk is responsible for collecting, posting and depositing payments (collection). The Clerk to the Supervisor is responsible for applying late fees to overdue accounts (enforcement).

Recommendation 5 – Water and Sewer Rates

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.

Status of Corrective Action: Partially Implemented

Observations/Findings: On December 29, 2014, the Board established the rates that are charged to residential customers for water and sewer services, including the reduced senior citizen rate for water service. However, the Board has not established and approved the varying water and sewer rates that are charged to nonresidential customers for water and sewer services. In addition, although Town officials drafted an amended water policy dated July 8, 2014, which included a comprehensive water rate schedule and the specific eligibility requirements for senior citizens to receive the discounted water rate, the amended water policy has not been approved by the Board.

Recommendation 6 – Water and Sewer Billing Registers

The Clerk to the Supervisor should generate billing registers for each water and sewer billing, which should be Board-reviewed and approved.

Status of Corrective Action: Partially Implemented

Observations/Findings: Prior to each billing, the Clerk to the Supervisor generates billing registers from the billing and collection software, which are provided, along with a cover sheet, to the Board for their review and approval. We interviewed the Supervisor and he stated that the Board reviews and approves the billing registers prior to the corresponding bills being issued by the Clerk to the Supervisor. However, we reviewed the billing registers and corresponding cover sheets for the five billings during January 1, 2015 through April 30, 2016 and found that the Board did not sign three of the five cover sheets (60 percent) indicating their review and approval of the billing registers. In addition, for the two billing registers that were approved by the Board, the corresponding cover sheets did not have a date recorded with the Board's signatures to indicate the date of their review and approval. As a result, we could not determine whether these billing registers were reviewed and approved by the Board prior to the corresponding bills being issued.

Recommendation 7 – Customers Are Properly Billed for Services

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.

Status of Corrective Action: Partially Implemented

Observations/Findings: We interviewed the Supervisor and found that, since the audit, the Town obtained a real property list of all parcels within the Town's water and sewer district. The list of

parcels was compared to billing registers generated from the billing and collection software to ensure that all customers receiving services were being billed. The Supervisor stated that during the Town's review they found that 30 percent of the parcels receiving services were not being billed. As a result, these customers were added to the master file of water and sewer customers in the billing and collection software. However, we compared five water district parcels⁶ and five sewer district parcels⁷ to the customer accounts within the billing and collection software and found that one water district customer was receiving water service but was not being billed.

We also reviewed the one application for new service during the 2016 fiscal year and found that the customer was charged and paid connection fees in accordance with the Board-established rate.

Recommendation 8 – Adjustments

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.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed five adjustments⁸ totaling \$124 that were made to water and sewer accounts and found that all of the adjustments were made for appropriate purposes. However, none of the adjustments were approved by the Board or a designated individual independent of the billing and collection of user charges. In addition, we interviewed the Supervisor, and he stated that the Clerk to the Supervisor is responsible for making all adjustments to customers' accounts without any independent review or approval.

Recommendation 9 – Water, Sewer and Transfer Station Deposits

Town officials should ensure that water and sewer collections and transfer station cash receipts are deposited timely and intact.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed all 161 water and sewer collections totaling \$7,166 during February 2016⁹ and all 32 transfer station collections totaling \$749 during March 2016¹⁰ to determine whether collections were deposited timely and intact. We found that all 161 water and sewer collections were deposited timely. However, six transfer station collections totaling \$269 were not deposited timely. For example, \$197 in collections that were received at the Clerk's office

⁶ We used a computerized random number generator to select five parcels from a real property tax listing from Essex County for the 2016 fiscal year of all the parcels within the Town's water district.

⁷ We used a computerized random number generator to select five parcels from a real property tax listing from Essex County for the 2016 fiscal year of all the parcels within the Town's sewer district.

⁸ Our sample consisted of selecting, without any known bias, five adjustments that were made during January 1, 2016 through April 30, 2016.

⁹ We used a computerized random number generator to select one month during January 1, 2016 through April 30, 2016.

¹⁰ Ibid.

on March 21, 2016 were not deposited until 11 days later on April 1, 2016. In addition, as previously mentioned, the Clerk does not prepare itemized deposit slips and the validated deposit receipts obtained from the bank do not include the composition of each deposit. As a result, we could not trace collections to corresponding deposit documentation to determine whether they were deposited intact.

Recommendation 10 – Assessment of Penalties

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.

Status of Corrective Action: Fully Implemented

Observations/Findings: 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 Town’s sewer ordinance 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. We reviewed five delinquent customer accounts¹¹ at the due date for the first quarterly billing during the 2016 fiscal year and found that penalties were properly assessed to all five customers.

Recommendation 11 – Relevy of Water and Sewer Accounts

The Board should review and approve the list of releived 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 releived on real property tax bills.

Status of Corrective Action: Fully Implemented

Observations/Findings: Each fiscal year at the end of the water and sewer collection period, the Clerk to the Supervisor generates a delinquent customer account report from the billing and collection software, which is provided with a cover sheet to the Board for their review and approval. We interviewed the Supervisor and he stated that the Board reviews and approves the report each fiscal year prior to it being submitted to Essex County. We reviewed the delinquent customer account report for the 2015 fiscal year and found that the Board signed the cover sheet that was attached to the report indicating their review and approval. In addition, we reviewed five delinquent customer accounts¹² totaling \$1,260 at the end of the 2015 collection period and found that they were all releived in the proper amount.

¹¹ Our sample consisted of selecting, without any known bias, five delinquent accounts at the due date for the first quarterly billing during the 2016 fiscal year.

¹² Our sample consisted of selecting, without any known bias, five delinquent accounts at the end of the collection period during the 2015 fiscal year.

Recommendation 12 – Transfer Station Cash Receipts Policy

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.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed the Town’s policies and interviewed the Supervisor and Clerk. We found that the Town has not adopted a comprehensive transfer station cash receipt policy or developed any written transfer station cash receipts procedures.

Recommendation 13 – Transfer Station Ticket Inventory

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.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the Town’s transfer station ticket financial records from January 1, 2015 through April 30, 2016. We found that the Clerk maintains inventory records to document transfer station tickets purchased, issued and sold by the Town. However, we interviewed the Supervisor and Clerk and found that an individual independent of the Clerk, who is responsible for the transfer station cash receipts process, does not periodically review the inventory records and inventory on-hand to ensure all transfer station tickets are accounted for. As a result, we reviewed 300¹³ tickets totaling \$4,200 to determine whether the tickets were accounted for. We found that three tickets totaling \$72 were unaccounted for because they were neither recorded as being sold nor were they on-hand during our review. The Clerk was not aware that the tickets were unaccounted for when we notified her of this discrepancy. However, the Clerk explained that this discrepancy may have resulted because she incorrectly recorded these ticket sales in the Clerk software as miscellaneous sales, instead of as transfer station ticket sales.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Town officials to continue their efforts to fully implement our recommended improvements.

¹³ Our review included all 300 tickets that were purchased by the Town from the Town of Essex during the 2016 fiscal year, which consisted of 100 \$6 tickets, 100 \$12 tickets and 100 \$24 tickets.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Jeffrey Leonard, Chief Examiner of our Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller