



Village of Sag Harbor

Board Oversight and Justice Court Operations

Report of Examination

Period Covered:

June 1, 2013 — September 30, 2014

2015M-107



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
Background	4
Objectives	4
Scope and Methodology	5
Comments of Village Officials and Corrective Action	5
BOARD OVERSIGHT	6
Budget Transfers	6
Audit of Claims	7
Recommendations	9
JUSTICE COURT	10
Parking Tickets	10
User Access	11
Recommendations	12
APPENDIX A Response From Village Officials	13
APPENDIX B OSC Comments on the Village's Response	17
APPENDIX C Audit Methodology and Standards	18
APPENDIX D How to Obtain Additional Copies of the Report	20
APPENDIX E Local Regional Office Listing	21

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2015

Dear Village 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 Board of Trustees 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 Village of Sag Harbor, entitled Board Oversight and Justice Court Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

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

Respectfully submitted,

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



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Village of Sag Harbor (Village) is located in the Towns of East Hampton and Southampton in Suffolk County and has a population of approximately 2,100. The Village is governed by a Board of Trustees (Board) comprising four elected Trustees and an elected Mayor. The Board is responsible for the general management and control of the Village's financial affairs. The Mayor is the Village's chief executive officer and appoints the Village Treasurer, who serves as chief fiscal officer. The Village's budgeted general and sewer fund appropriations for the 2014-15 fiscal year were approximately \$9.1 million.

The Village's Justice Court (Court) operates with two Village Justices (Justices), a Court clerk and an assistant Court clerk. The Justices' principal duties involve adjudicating legal matters within the Court's jurisdiction and administering moneys collected from bails, fines, surcharges, civil fees and restitutions, with the assistance of the Court clerks. The Board is charged with overseeing the Court's financial activity. The Justices collected \$565,801¹ in fines, fees and surcharges during our audit scope period.

The Police Chief is responsible for overseeing the Village Police Department, which enforces local ordinances and vehicle and traffic laws within the Village limits, including parking violations.

Scope and Objectives

The objectives of our audit were to determine if the Board provided adequate oversight of the Village's financial operations and to review the Court's financial operations for the period June 1, 2013 through September 30, 2014. Our audit addressed the following related questions:

- Did the Board fulfill its oversight responsibility by ensuring that all moneys were disbursed appropriately?
- Did the Justices accurately and completely collect, record, deposit and report moneys in a timely manner?

Audit Results

The Board did not perform several of its oversight duties properly or in a timely manner. Budget line items were routinely overexpended before the necessary budget transfers were made and, further, the transfers were not completed until after the end of the fiscal year. As of May 31, 2014, the general

¹ The Court collected \$360,564 in the 2013-14 fiscal year and \$205,237 from June 1 through September 30, 2014.

fund had 71 accounts that were over-expended, which resulted in year-end budget transfers totaling \$492,073. Without timely approval of budget transfers, there is an increased risk of operating deficits that could affect the Village's ability to provide essential services.

In addition, the Board approved claim warrants² without conducting a proper audit of individual claims to ensure that payments had adequate documentation and signatures to attest that goods and services were received. Village officials also used "confirming" purchase orders for three claims in our test, totaling \$25,287, after the vendor invoices had already been received, and paid \$4,168 to a professional services provider without adequate claim documentation. As a result, the Board does not have assurance that purchases were proper and valid charges against the Village or that the goods and services were actually received.

We also found that the Justices and Village officials need to improve oversight or implement compensating controls to ensure that all issued parking tickets were properly accounted for. The Court clerk's financial duties – which included maintaining the Court's accounting records, reconciling bank statements and completing required monthly reports to the State Comptroller's Justice Court Fund – were not adequately segregated, and the Justices did not provide additional oversight as a compensating control to address the weaknesses associated with properly accounting for parking tickets. Neither the Justices nor the Police Chief reconciled issued tickets to the computer entries made by the Court clerk and assistant Court clerk. Further, ticket books were not consistently issued to the officers in numerical sequence. Therefore, while all tickets that the Court received from the Police Department were properly recorded, Village officials have no way to verify that these tickets were in fact all the tickets issued. Lastly, the Court clerk and assistant Court clerk shared a username to access the Court's financial management software, which compromises individual accountability for recording Court collections. Because of these control weaknesses, there is an increased risk that errors and irregularities could occur without detection.

Comments of Village Officials

The results of our audit and recommendations have been discussed with Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Village officials generally agreed with our recommendations and indicated they have taken, or plan to take, corrective action. Appendix B includes our comments on issues raised in the Village's response.

² A warrant is a list of claims which includes the amounts claimed, the account codes and the funds to be charged.

Introduction

Background

The Village of Sag Harbor (Village) is located in the Towns of East Hampton and Southampton in Suffolk County. The Village's population is approximately 2,100. It is governed by a Board of Trustees which comprises four elected Trustees and an elected Mayor. The Board is responsible for the general management and control of the Village's financial affairs and the design and implementation of internal controls to safeguard Village assets from loss or misuse.

The Mayor is the Village's chief executive officer and appoints the Village Treasurer (Treasurer), who serves as chief fiscal officer. As the chief fiscal officer, the Treasurer is responsible for custody of Village moneys, maintaining appropriate accounting records and preparing monthly and annual financial reports. The Village's budget for the 2014-15 fiscal year was approximately \$9.1 million for the general and sewer funds combined, funded primarily by real property taxes, State aid and fees.

The Village's Justice Court (Court) operates with two Village Justices (Justices) and two Court clerks. The Justices' principal duties involve adjudicating legal matters within the Court's jurisdiction and administering moneys collected from bails, fines, surcharges, civil fees and restitutions, with the assistance of the Court clerks. The Board is charged with overseeing the Court's financial activity. The Justices collected approximately \$565,801³ in fines, fees and surcharges during our audit scope period.

The Police Chief is responsible for overseeing the Village Police Department, which enforces local ordinances and vehicle and traffic laws within the Village limits, including parking violations.

Objectives

The objectives of our audit were to examine the Board's oversight activities and to review the Court's financial operations for the period June 1, 2013 through September 30, 2014. Our audit addressed the following related questions:

- Did the Board fulfill its oversight responsibility by ensuring that all moneys were disbursed appropriately?
- Did the Justices accurately and completely collect, record, deposit and report moneys in a timely manner?

³ The Court collected \$360,564 in the 2013-14 fiscal year and collected \$205,237 from June 1 through September 30, 2014.

**Scope and
Methodology**

We examined the Board’s oversight of the Village’s financial activities and the Court’s financial operations for the period June 1, 2013 through September 30, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value or size of the relevant population and the sample selected for examination.

**Comments of
Village Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Village officials generally agreed with our recommendations and indicated they have taken, or plan to take, corrective action. Appendix B includes our comments on issues raised in the Village’s response.

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 Village Clerk’s office.

Board Oversight

The Board is responsible for oversight of the Village's operations and ensuring that procedures are in place to safeguard the Village's financial resources. It is essential that the Board continually monitors and amends the budget as warranted during the year to prevent budget line items from becoming overexpended. Furthermore, the Board must conduct a thorough review of each claim prior to payment to verify that it represents a proper and valid charge, is properly authorized and contains evidence confirming that goods or services were received.

The Board allowed budget line items to be routinely overexpended and budget transfers to be made after the end of the fiscal year, rather than throughout the year when needed. In addition, the Board did not properly audit all individual claims; we found instances of "confirming" purchase orders prepared after items were already purchased, claim vouchers approved by department heads after checks had been prepared, and a payment to a professional service provider without adequate documentation to support the claim. As a result, the Board does not have assurance that purchases were proper and valid charges against the Village or that the goods and services were actually received.

Budget Transfers

Effective budgetary controls limit expenditures to the specific purposes and amounts authorized by the Board in the annual operating budget. According to New York State Village Law (Village Law), no expenditure can be made unless an amount has been appropriated for that particular purpose and the amount is available. It is therefore essential for the Board and Village officials to monitor actual expenditures against budgeted appropriations to ensure that appropriations are not overspent. Thus, budget transfers must be made before line-item accounts in the budget are overexpended.

During the 2013-14 fiscal year, the Treasurer processed general fund⁴ budget transfers totaling \$663,686. The Treasurer told us she prepares a schedule that includes the name of the funds, the dollar amounts to be transferred and a description of why the transfers are needed. This schedule is presented to the Board for approval through resolution and then entered into the accounting software. However, budget transfers were rarely performed throughout the year and Village officials routinely approved expenditures without an available appropriation. Instead, the Board waited until the year end

⁴ The Village has a general fund and a sewer fund. We reviewed only the budget transfers processed for the general fund.

to make \$492,073 in transfers, which included correcting 71 budget lines that had been overexpended by \$422,322 throughout the year. The Board passed a resolution authorizing budget transfers on May 29, 2014,⁵ but because no schedule was attached to the minutes and the resolution did not contain any detail or dollar amount, it is not clear what transfers the Board approved.

In addition, the Treasurer did not enter the transfers dated May 31, 2014 into the accounting software until November 2014, six months after the fiscal year ended. Budget transfers performed after the fiscal year serve no budgetary control purpose, but simply mask overexpenditures that were allowed to occur during the preceding year. While the Board received monthly budget status reports throughout the year, Board members did not address negative balances in budget line items. Therefore, the Board's involvement in and scrutiny of the Village's financial activities and operations was not adequate.

We reviewed budget activity reports for four⁶ overexpended account codes with original appropriations of \$90,000 for the 2013-14 fiscal year to determine how long the codes were overexpended and if transfers were made to correct any overexpenditure and presented to the Board for approval. All four account codes were overexpended by a total of \$125,318 during the 2013-14 fiscal year,⁷ and in all four cases, Village officials did not transfer additional appropriations to the accounts until after the end of the fiscal year. For example, the "special fees – legal" account had a negative balance of \$17,868 by November 2013. Even though the budget status report for the month of November showed a negative balance for this account, the Board did not comment or take action. Instead, the Village continued to spend from this appropriation account, overexpending it to a total of \$99,675 before finally making a budget transfer dated May 31, 2014, seven months after the initial negative balance.

When expenditures repeatedly exceed available appropriations, there is an increased risk of operating deficits that could affect the Village's ability to provide essential services.

Audit of Claims

One of the Board's most significant oversight responsibilities is to audit claims, as required by Village Law. The Board should conduct a deliberate and thorough audit of claims before it disburses Village funds. A proper audit ensures that each claim is itemized and accompanied by sufficient documentation to determine the nature of the purchase, that a purchase order (PO) was created in advance of each purchase (i.e., not a "confirming" PO after an order is already

⁵ The Village's fiscal year ends May 31.

⁶ See Appendix C for the methodology of our sample selection.

⁷ On average, the budget accounts had negative balances for 6.5 months.

placed) and that each claim is a proper and valid charge against the Village. A proper audit should also determine whether the officer or employee who gave rise to a claim approved it, usually by signing the claim voucher attesting that goods and services were received and the charges are correct. After the Board has audited each claim, the Village Clerk prepares, signs and transmits to the Treasurer an order directing the Treasurer to pay the claims specified in a warrant.⁸

The Board needs to improve its oversight of the claims audit process to make sure that transactions are properly authorized, approved and audited. The Board does not review individual claims to verify their accuracy and legitimacy. Instead, a clerk assembles the claims packages⁹ and forwards these packages to department heads for review. The department heads review individual claims, while the Board reviews and approves the warrants without reviewing the actual claims. In addition to the lack of a proper audit, POs were not always created in advance of each purchase and claim vouchers were not always approved prior to payment.

We selected and reviewed 46 payments totaling \$74,160¹⁰ to determine whether the related claims contained sufficient documentation, appeared to be legitimate and complied with statutory requirements and the Village's procurement policy.¹¹ We did not find any improper payments. However, the Village paid one claim for professional services totaling \$4,168 without an attached invoice or contract. Additionally, POs for three claims totaling \$25,287 were confirming POs prepared after the invoices were received from the vendors. For example, the Village paid a vendor \$23,335 on February 7, 2014 for engineering services; the vendor's invoice was dated December 30, 2013, and the PO was dated January 10, 2014. Further, for five claims totaling \$2,384, claim vouchers were signed after the checks were prepared for payment. For example, a check was prepared to pay a vendor \$498 for hardware supply on February 7, 2014, but the department head did not sign and approve the claim voucher until February 10.

Without a thorough and deliberate examination of individual claims and the supporting documentation, the Board does not have

⁸ A warrant is a list of claims which includes the amounts claimed, the account codes and the funds to be charged.

⁹ Claims packages generally include the PO and/or claim voucher, the invoice and appropriate supporting documentation.

¹⁰ See Appendix C for the methodology of our sample selection.

¹¹ According to the Village's procurement policy, prior to a purchase of goods or services over \$500, the purchasing agent must prepare and approve a PO. For the purchase of goods or services under \$500, the department heads must prepare and approve a claim voucher before the Village pays for the goods or services.

enough information to determine whether the claims it approves are appropriate and legitimate. Therefore, there is an increased risk that improper claims could be paid.

Recommendations

The Board should:

1. Conduct a careful and thorough review of the monthly budget status report and investigate any budget overexpenditures.
2. Ensure that appropriate funds are transferred in a timely manner so that budget line items are not overspent.
3. Conduct a thorough audit of claims prior to payment.
4. Ensure that POs are prepared and approved in advance of any purchase and limit the use of confirming POs to emergency situations.
5. Ensure that claims vouchers are signed and approved before checks are prepared.

Justice Court

Justices are responsible for adjudicating cases brought before their court and accounting for and reporting court-related financial activities. They also must ensure that effective internal controls are in place to properly safeguard cash and other court resources. Such controls should ensure that financial transactions are processed in a timely manner and properly recorded; that appropriate financial reports are accurate and filed in a timely manner; that applicable laws, rules and regulations are observed; and that the work performed by those involved in the Court's financial operations is monitored and reviewed routinely.

While the Court clerk does maintain up-to-date accounting records, the Justices and Village officials did not establish proper controls to ensure the Court clerk properly accounted for all issued parking tickets. For example, no one reconciled the issued tickets that the Court received from the Police Department with the entries recorded in the Court's financial software, resulting in eight tickets being unaccounted for with no supporting documentation. Further, the Justices did not provide adequate oversight of the Clerk's responsibilities, which were not adequately segregated. While the Justices review, sign and date the monthly bank reconciliations and reports prepared by the Court clerk, these functions alone do not adequately address the control weaknesses in the collection and recording of parking ticket fines. Furthermore, accountability for recording the Court collections is compromised because the Court clerk and assistant Court clerk share a username to access the Court's financial management software.

Parking Tickets

Parking ticket fines can be a substantial revenue source for Village operations. Therefore, it is the responsibility of the Police Chief and Justices to establish internal controls for effective monitoring and to ensure accountability for all issued tickets. Such controls include a regular reconciliation of all tickets issued to tickets paid, outstanding and voided. Further, parking tickets should be issued sequentially to properly account for all tickets. In the absence of such controls, Village officials can provide additional oversight of ticket processing activities as a compensating control.

The Court clerk is responsible for all aspects of parking ticket activity, including receiving, recording, preparing for deposit and reporting all cash collections to the Office of the State Comptroller's Justice Court Fund (JCF). The Court clerk receives the issued parking tickets daily from the Police Department along with a report that lists all tickets being turned over to her. After verifying that all tickets listed are in her possession, the Court clerk signs and dates the report and enters

the information into the Court's computer software.¹² However, the Justices and Police Chief do not monitor or reconcile the parking tickets issued by the Police Department with the entries in the Court's computer system or otherwise provide oversight of the parking ticket process.

In addition, parking tickets are not always issued sequentially. Ticket books (which each contain 25 blank tickets in duplicate) are not always given out to officers in sequential order; therefore, officials cannot easily verify which tickets have been issued to determine whether all tickets issued have been paid.

We reviewed a numerical sequence of 143 parking tickets, with fines totaling \$7,010 at the time of issuance, which the Court received from the Police Department.¹³ We compared the tickets issued by the Police Department to the tickets recorded in the Court's computer software to verify the accuracy of the collection, recording and reporting functions. Although all parking tickets the Court received were accurately entered into the computer, not all parking tickets issued by the Police Department were remitted to the Court. The Police Chief was unable to provide support for eight tickets that were unaccounted for.

These deficiencies were allowed to occur because Village officials did not implement proper controls over ticket processing and did not segregate the Court clerk's incompatible duties. Without a regular reconciliation of parking tickets and the issuance of numbered tickets in sequential order, there is an increased risk that parking ticket revenues may not be collected or may be collected and misappropriated, without detection. Further, concentrating key duties with one individual (i.e., accounting records maintenance, cash custody and bank reconciliations) with little or no oversight significantly increases the risk that issued tickets may not be properly recorded, deposited and reported.

User Access

Access controls should provide reasonable assurance that computer resources and data are protected from unauthorized use and modification. To control user access, computer systems and applications need to identify and differentiate users. Each computer user should have their own user account (username and password) to help ensure individual accountability within a network, as well as within a specific software application. Additionally, users should

¹² Generally, the Court clerk enters the tickets into the Court's computer system on the day they are received; however, she stated that during the Court's busy season (June through September) it can be several days before she does so.

¹³ Issued by the Police Department from August 22 through August 28, 2014. See Appendix C for further information on our sample selection.

have only the minimum access necessary to perform their day-to-day duties and responsibilities.

The Court clerk and assistant Court clerk used the same user account to access the Court's computer software. Therefore, individual accountability is compromised and Village officials are unable to determine who is responsible for specific transactions.

Recommendations

The Justices should:

6. Periodically reconcile issued parking tickets to tickets paid and voided and work with the Police Chief as needed to investigate and resolve any discrepancies.
7. Ensure that the duties of the Court clerk and assistant Court clerk are adequately segregated. Where it is not practical to segregate duties, the Justices should provide additional oversight as a compensating control.
8. Require that unique usernames and passwords are used for accessing the Court's software applications and that each user's access rights are restricted to those applications and functions they need to fulfill their job responsibilities.

The Police Chief should:

9. Periodically conduct a reconciliation of issued parking tickets to tickets paid and voided, independent of the Justices, and work with the Court to investigate and resolve any discrepancies.
10. Ensure that ticket books are issued to the officers in sequential order.

APPENDIX A
RESPONSE FROM VILLAGE OFFICIALS

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



Sandra Schroeder, Mayor
James L. Larocca, Trustee
Ken O'Donnell, Trustee
Beth M. Kamper, Village Clerk

PO Box 660
55 Main Street
Sag Harbor, NY 11963-0015
Tel: 631-725-0222 Fax: 631-725-0316

Robby Stein, Deputy Mayor
Edward Deyermond, Trustee
Eileen Tuohy, Village Treasurer
Fred W. Thiele, Jr., Esq.

August 3, 2015

Attn: Ira McCracken, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Re: Response Letter to Draft Village of Sag Harbor
Board Oversight and Justice Court Operations
Report of Examination 2015M-107

Dear Mr. McCracken:

The Village of Sag Harbor was last audited for the period June 1, 1993 – May 31, 1994, so we are very grateful for your assistance to the village with both current and correct state practices regarding Board oversight of the village's financial activities and the Justice Court's financial operations.

Audit Response to Board Oversight

We did not find any errors in the draft report, but several comments leave the reader with the impression that the budget is not being adequately monitored.

Budget Transfers

While the results of the audit revealed that 71 accounts were over-expended and budget transfers were not done in a timely manner, the majority of these codes were within the same function area/department and were not over-expended at any time.

The remaining codes were for legal expenses and health insurance costs, primarily for the village's self-funded plan. Due to the nature of these line items, it's difficult to budget as these costs are an unknown and generated by claims. The Treasurer monitored the budget to determine that the budget could support transfers to fund these line items at

year end rather than having to make many transfers through the remaining last quarter of the fiscal year.

The entire budget was never in danger of being over-expended. At the end of the June 1, 2013 – May 31, 2014 fiscal year, the village budget was underspent by \$ 500,606.

It was noted in the report that the Treasurer did not enter the transfers dated May 31, 2014 until November, 2014. These transfers were entered late last year because the external auditors were in very late last year due to the audit being performed by the Comptroller's office and because they were also undergoing a peer review in their company.

See
Note 1
Page 17

Corrective Action Plan

We agree and understand that effective budgetary controls require that transfers be made before the line-item accounts in the budget are over-expended.

The Village's current purchase order policy is being reviewed to determine if changes can be made that will improve cost projection prior to invoices presented for payment. Currently, \$ 500 is the threshold to issue a purchase order. The Village is considering lowering the threshold to \$ 250 and issuing purchase orders for utilities and purchase contracts as well.

The Treasurer will enter transfers within the function areas monthly as they do not require Board approval. Any transfer between different function areas will be presented to the Board for authorization as necessary.

See
Note 2
Page 17

Audit of Claims

The Board addressed their financial oversight practices immediately regarding the audit of claims, as required by law, upon notification by the examiners.

Although, the Board reviewed and approved the warrants monthly, they were previously unaware of Village Law 5-524 which requires a review of every individual claim for accuracy and legitimacy prior to payment.

Although, the claim voucher for the one professional service claim did not indicate that it was the "Monthly Retainer" for the Village Attorney, his fees are maintained in its own line item in the budget.

See
Note 3
Page 17

Corrective Action Plan

We recognize the need and importance for the Board to provide better oversight. New procedures were implemented on November 3, 2014 for the Board to review and approve every claim prior to check preparation and issuance as follows:

- * All requests for payment must be submitted to Accounts Payable by the 20th of each month to be considered for payment on the warrant at the Board of Trustees Meeting the following month
- * Claims will be available for authorization after 12:00 p.m. on the first Tuesday of the month
- * Accounts Payable will process those claims for payment which have received at least (3) Board Member signatures

Audit Response to the Justice Court

Parking Tickets

We agree and recognize the need to issue and account for all parking tickets in sequential order.

Corrective Action Plan

The Village has contracted with [REDACTED] for Parking Ticket Management Services to address the deficiencies in the audit report. In addition to the aforementioned, some of the additional services they will provide include collecting outstanding monies, electronic data and records management, and providing handheld electronic ticket issuing devices.

User Access

We were unaware that the Court Clerks did not maintain their own user accounts and agree that they should.

Corrective Action Plan

Upon notification, it is my understanding that this was arranged with [REDACTED] and both now have their own user accounts.

We would like to thank the Office of the State Comptroller for their many useful suggestions and for the consideration the examiners showed our small staff through their willingness to answer questions and offer suggestions.

Sincerely,

Sandra Schroeder, Mayor

APPENDIX B

OSC COMMENTS ON THE VILLAGE'S RESPONSE

Note 1

We began our audit of the Village in September 2014, four months after the end of the Village's fiscal year. Thus, our audit should not have interfered with budget transfers being made in a timely manner, by the year end (May 31, 2014), before appropriations were overexpended.

Note 2

Budget transfers must be made before appropriations are overexpended. The Village's plan to update its purchase order policy may assist in meeting this requirement.

Note 3

A proper audit of claims should verify that each claim is itemized and accompanied by sufficient documentation to determine the nature of the purchase or service. Simply noting "professional services" does not provide sufficient information for a proper audit of the claim.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we reviewed the Board's oversight activities of the budget transfer and claims process and the Court's records and reports for the period June 1, 2013 through September 30, 2014.

To achieve the objectives of this audit and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed compliance with laws and regulations for budget transfer processing.
- We reviewed Board minutes for Board approvals of budget transfers. We also interviewed the Treasurer and the Mayor to understand the budget process.
- We examined budget adjustment reports to identify reasons for transfers, processing dates, amounts of budget transfers and account codes charged.
- We reviewed Board resolutions approving budget transfers and supporting schedules to determine if the Board approved transfers prior to the budget transfers being processed.
- We reviewed budget status reports and documented all budget accounts that had a negative unencumbered balance for the period February through May 2014. Of the 365 budget accounts listed on these reports, 56 had a negative balance during that period. We selected a test sample of the first four budget accounts that had an increasing negative balance from one month to the next during February, March and April and reviewed these accounts to determine how long the codes were overexpended and if transfers were made and presented to the Board for approval.
- We reviewed compliance with laws and regulations for claims processing.
- We reviewed Board minutes and pertinent documentation and interviewed the Village Clerk, Treasurer and Mayor to gain an understanding of the internal controls related to claims processing.
- We reviewed budget status reports for the period December 2013 through May 2014 and determined that the budget status report for February 2014 showed a significant number of overspent budgeted appropriations. Due to this determination, we selected February as the month from which we would select claims for our test. The February 2014 cash disbursement schedule included 91 checks totaling \$428,379. We judgmentally selected and reviewed the first 46 of these claims (50 percent) totaling \$74,160.
- We tested the selected claims to determine whether they contained appropriate approvals, sufficient documentation such as itemized invoices, and evidence that goods or services were actually received and whether they appeared to be legitimate and necessary and in compliance with policies and statutory requirements.

- We interviewed Village officials and employees and reviewed pertinent documents to obtain an understanding of Court operations, policies and procedures.
- We reviewed the manual press-numbered duplicate receipts for June 2014 to determine if they were issued sequentially and in chronological order and to verify if they were not altered or deleted after being entered into the computerized accounting system. We compared these handwritten receipts to the computerized cash book report to ensure that the amounts, payee names and dates were entered correctly and in a timely manner. We then compared the amounts to the monthly deposit according to the bank statement and the information included in the monthly report sent to the JCF for accuracy and timeliness.
- We reviewed all available bail reports for August 2014 to determine whether the ending amount held agreed with the ending bank account balance.
- We reviewed the June 2014 JCF monthly report along with the canceled remittance check to ascertain the timeliness of the report.
- To determine if parking tickets were accounted for and accurately recorded, we reviewed the Court's daily receipt reports, which are signed by the Court clerk and Police Department secretary documenting the tickets that the Police Department turned over to the Court. We selected August 29, 2014 for review because it was the last Friday in August, which is the Village's busy season. On that day, most of the tickets that the Police Department turned over to the Court were in the range of tickets numbered 15020 through 15164. Therefore, we selected a numerical sequence of 143 tickets within this range for our review. These tickets were issued between August 22 and August 28, 2014.
- We reviewed the June 2014 deposits for timeliness and completeness by tracing the manual cash receipts to the computerized reports and bank deposit slips.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
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