

Village of Milford

Board Oversight

APRIL 2018



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

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Report Highlights

Village of Milford

Audit Objective

Determine whether the Board provided adequate oversight of the Clerk-Treasurer's duties.

Key Findings

- Duties performed by the Clerk-Treasurer are not segregated and the Board does not provide adequate oversight.
- The Board did not ensure that the required annual audit of the Clerk-Treasurer's records was performed.

Key Recommendations

- The Board should periodically review bank statements, canceled check images, bank reconciliations and monthly reports.
- The Board should perform, or cause to be performed, the required annual audit of the Clerk-Treasurer's records.

Village officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Village of Milford is located in the Town of Milford in Otsego County.

The Village is governed by an elected Village Board (Board) composed of the Mayor and two trustees. The Board is responsible for the general management and control of Village finances and oversight of financial activities. The Village has an appointed Clerk-Treasurer who is the chief fiscal officer and is responsible for the day-to-day financial activities.

Quick Facts

Total Population	415
2017-18 Budgeted Appropriations	\$407,115

Audit Period

June 1, 2016 – October 16, 2017

Oversight of the Clerk-Treasurer

What Oversight Should the Board Provide?

The Board is responsible for establishing an internal control system to ensure that the Clerk-Treasurer properly performs the duties of the office. These duties include billing and collecting receipts and disbursing Village funds. When these duties are not adequately segregated, the Board should provide oversight by periodically reviewing bank statements, canceled check images, monthly reports and reconciliations to minimize the risks associated with the lack of segregation. Furthermore, the Board is required to annually audit or provide for an audit of the Clerk-Treasurer's records.

Board Did Not Provide Adequate Oversight

The Board did not meet its oversight responsibilities. The Clerk-Treasurer performs all Village financial transactions with little Board oversight, including the billing and collection of water usage charges, the collection of real property taxes and the disbursement of Village funds. Although the Mayor dual-signs checks with the Clerk-Treasurer, no one reviews bank statements, canceled check images or monthly reports and reconciliations that the Clerk-Treasurer prepares. Furthermore, the Board did not perform or provide for the required annual audit of the Clerk-Treasurer's records.

The Board contracted for an annual audit of the Clerk-Treasurer's records for the 2015-16 fiscal year, but it was never completed. The Board did not take steps to have that audit completed and did not contract for an audit of the 2016-17 fiscal year. In addition, Board members told us they trusted the Clerk-Treasurer and relied on her expertise without understanding the importance of providing oversight.

The Clerk-Treasurer Properly Performed Her Duties

We reviewed 22 water billings totaling approximately \$5,300 and 357 water payments totaling approximately \$69,000 and determined that billed amounts were properly based on meter readings, payments matched water billings, and receipts were deposited into Village bank accounts. Additionally, we reviewed 40 water billings where penalties had been applied and determined that penalties were assessed, collected and deposited. We also reviewed 40 real property tax payments totaling approximately \$29,000 and determined that the collections agreed to billings and were deposited into a Village bank account. Finally, we reviewed 157 disbursements totaling approximately \$112,300 and found the amounts disbursed agreed to the audited claim vouchers and Board-approved abstracts, and were for proper Village purposes.¹

¹ See Appendix B, Audit Methodology and Standards, for details on our selection of test samples.

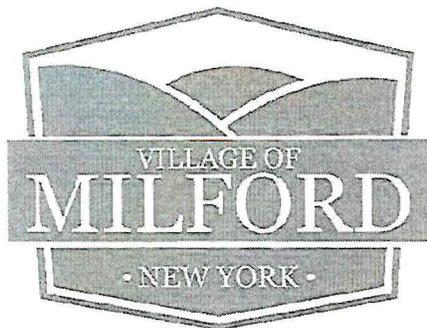
Although our reviews did not disclose any material discrepancies, the concentration of duties under one individual with little to no oversight increases the risk that errors or irregularities could occur and not be detected and corrected in a timely manner.

What Do We Recommend?

The Board should:

1. Routinely review bank statements, canceled check images, bank reconciliations and monthly reports.
2. Perform, or cause to be performed, the required annual audit of the Clerk-Treasurer's records.

Appendix A: Response From Village Officials



Mayor
Brian Pokorny

Trustees
Dave West
Taylor Brose

Clerk / Treasurer
Kitty Ruling

Superintendent
Paul Francis

Village Attorney
Ryan Miosek

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April 10, 2018

Office of the State Comptroller

Albany, NY

To whom it may concern,

This missive acknowledges receipt of the audit by the Office of the State Comptroller. In response, the following actions will occur:

1. The Village Board of Trustees will review the bank statements, cancelled checks, bank reconciliations, and monthly reports.
2. The Village Board of Trustees will have the financial records audited by independent review quarterly and annually.

The Village Board of Trustees agree with the finding of your audit and will make the corrective actions suggested.

Cordially,


Brian Pokorny
Mayor

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Village officials to gain an understanding of their oversight of the Clerk-Treasurer's operations including billing, collecting and depositing water billings and collecting and depositing real property taxes. We also asked about the disbursement process to gain an understanding of processes and oversight of those duties.
- We randomly selected 22 water billings totaling approximately \$5,300 from the October 2017 meter readings and compared billings to Board-adopted rates to determine whether billings were correct.
- We randomly selected four months in our audit period and, using the customer receipt journal, traced all 337 water payments reported totaling approximately \$66,000 to duplicate deposit slips to determine whether money collected was deposited into Village bank accounts.
- We randomly selected two months and 20 water user accounts with zero balances, totaling approximately \$3,000, and traced them to duplicate deposit slips to determine whether payments were made against the accounts and deposited into Village bank accounts.
- We randomly selected a sample of 40 payments totaling \$180 from four randomly selected months of water payments where penalties should have been charged, and compared penalties charged to Board-adopted rates to determine whether the correct penalty amount was collected and deposited into Village bank accounts. We found no issues.
- We randomly selected 40 real property tax payments totaling approximately \$29,000 and traced them to duplicate deposit slips and the bank statements to determine whether the payments agreed to the amounts due and were deposited into Village bank accounts
- We reviewed 157 disbursements totaling approximately \$112,300 from eight randomly selected months and traced canceled check images to Board-approved claims vouchers and abstracts. We also traced any disbursements on abstracts from these eight months to canceled check images to determine whether those disbursements were approved.

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

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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