

# Town of Patterson

## Recycling Center Cash Receipts

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MARCH 2020

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

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# Report Highlights

## Town of Patterson

### Audit Objective

Determine whether Recycling Center (Center) cash collections were adequately supported, recorded and remitted timely and intact (in the same form and amount as received).

### Key Findings

- Cash receipts were not remitted timely and intact, resulting in discrepancies with 44 of 76 remittances (58 percent) to the Town Clerk.
- Center cash collection records were inadequate and incomplete. We found that Town officials were unable to locate 41 special permits issued and three press-numbered receipts were missing from the receipt books.

### Key Recommendations

- Ensure that cash collections are remitted to the Clerk timely and intact.
- Ensure that cash collections are properly receipted, documented and accounted for.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The Town of Patterson (Town) is located in Putnam County. The Town is governed by an elected five-member Board composed of four Board members and the Town Supervisor (Supervisor). The Board is responsible for managing operations.

The Highway Superintendent (Superintendent) oversees the Center.

#### Quick Facts

Center Special Permit collections during Audit Period	\$6,646
2019 Special Permits Budgeted Revenue	\$12,500
Population	11,891

### Audit Period

January 1, 2018 – July 3, 2019. We extended the audit period back to January 1, 2015 to analyze financial trends and forward through September 26, 2019 to review cash balances.

# Cash Receipts

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The Center provides a variety of recycling programs and services for the taxpayers such as curbside recycling and bulk items drop offs. An annual permit is required to use the facility along with special permit fees ranging from \$2 to \$40 per the special permit fees schedule. The Center operates on Thursdays, Fridays and Saturdays. Cash collections from the Center are remitted to the Town Clerk (Clerk) who is responsible for depositing and remitting the funds to the Supervisor.

## **How Should Officials Account for Cash Receipts at the Center?**

The highway superintendent should ensure that all cash collected at a town's recycling center is properly accounted for, receipted, recorded and remitted to the clerk in a timely manner. Cash collected should be remitted intact as soon as possible to reduce the risk of theft or loss. The board, in consultation with town officials, is responsible for adopting written policies and developing adequate procedures for collecting recycling center special permit fees.

Detailed cash receipt records should be maintained and daily cash reconciliation procedures should be performed and documented to verify that all collections are accounted for and deposited. Any overages or shortages should be identified and investigated, as appropriate. It is also important that when monthly reconciliations are prepared, differences between cash receipt records and remitted cash be researched and explained to reduce the risk of errors or irregularities.

When no other satisfactory evidence for the purpose of audit is available, a serially press-numbered duplicate receipt form should be issued for any cash, checks or money orders received. One copy should be provided to the customer and one copy should be retained for audit purposes.

When one employee is responsible for collecting and recording cash receipts, additional oversight and review of their work is necessary as a compensating control. To the extent possible, management should establish procedures to ensure that the work of one employee is routinely verified in the course of another employee's regular duties. Additional oversight activities can include comparing daily reconciliation forms to supporting documentation and deposits, monitoring employees in the performance of their duties and conducting periodic unannounced cash counts.

## **Cash Receipts Were Not Remitted Timely, Accurately and Intact**

Town officials charge annual permit fees to use the Center and special permit fees for bulk items. Annual permits are issued at the Clerk's office and the special permits are issued at the Center and the Clerk's office. For the special permits issued at the Clerk's office, the Clerk issues a press-numbered duplicate receipt and a sequentially numbered special permit. The Clerk then recorded all

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collections received at her office in a financial application. The Center attendant uses a manual receipt book to record payments and issue receipts.

Once a payment is collected at the Center, the attendant bundles the cash, copy of the receipt and the special permit together and places them in a cashbox. The locked cashbox is stored in an unlocked drawer at the Center. Town officials told us that cash collections are collected by the highway secretary (secretary) on a weekly basis (every Monday) and remitted to the Clerk for deposit.

During the audit period, the Clerk reported that \$24,231 was collected in special permit fees, which included \$6,646 collected at the Center.<sup>1</sup> We focused our review on collections at the Center due to the lack of controls and inherent risk associated with cash receipts. Cash collections made up \$5,367 (81 percent) of total collections at the Center.

To determine the total amount of Center collections, we reviewed all receipts and special permits issued for the 76 remittances from January 1, 2018 through July 3, 2019. We then compared the amount collected to the amount remitted to the Clerk to determine whether collections were remitted timely and intact. We found that the secretary consistently remitted collections to the Clerk in different amounts than collected, resulting in various shortages and overages each month for 44 remittances (58 percent).<sup>2</sup> Furthermore, cash receipts were not always remitted to the Clerk intact.

During the period reviewed, a total of \$6,646 was collected based on the records available at the Center and \$6,826 was remitted to the Clerk. As a result, \$180 more than the amount recorded as collected was remitted to the Clerk. However, we found instances throughout the audit period when the amount remitted to the Clerk was less than the amount collected.

During 2018, \$3,587 in cash and \$821 in checks was collected, while \$3,748 in cash and \$971 in checks were remitted to the Clerk, which resulted in a cash overage of \$161 and check overage of \$150. Because the secretary did not always reconcile cash collections to source documents or prepare an itemized cash receipts summary, we found numerous shortages and overages. The overage was comprised of 29 instances of cash overages and shortages.<sup>3</sup>

We also found 10 instances of check overages and shortages resulting in a net overage of \$150. The attendant told us that receipts were not always issued for checks received. Therefore, the overage could be due to checks that were not receipted. The check shortages were most likely due to collections not being

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<sup>1</sup> The Center staff collected special permit fees. We did not review annual and special permit fees collected at the Clerk's office because it was outside the scope of our audit.

<sup>2</sup> Refer to Appendix A for details regarding the overages and shortages.

<sup>3</sup> Ibid.

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remitted or reported in a timely manner. In addition, there were unmatched collections amounting to \$183 for which we were unable to determine the form of payment due to missing receipts.<sup>4</sup> In 2019, checks collected at the Center were remitted to the Clerk intact. However, we found 14 instances of cash overages and shortages resulting in an overage of \$52 remitted to the Clerk.

Figures in Appendix A identify several instances of matching cash shortages and check overages. Such discrepancies could indicate that checks were substituted for cash. For example, on August 6, 2018 the secretary remitted collections totaling \$62 to the Clerk's office consisting of \$42 in cash and \$20 in checks. However, the cash collection records showed that \$62 in cash was collected during the period. It is possible that unrecorded checks were remitted to the Clerk's office to ensure that the receipts matched the amount of money remitted. Without sufficient oversight and controls in place, there are no assurances that all cash and checks were properly collected and deposited.

Although the Town Comptroller identified some discrepancies in a sample of monthly collections reviewed during the 2018 annual audit, the Superintendent did not implement corrective action. These discrepancies occurred because Board and Town officials did not establish adequate internal controls over the Center cash receipts or adopt written policies and procedures to ensure that all cash was remitted timely and intact and that employees had clear guidance on how often cash should be remitted to the Clerk.

The attendant and secretary had almost complete control over the cash receipts without adequate oversight by the Superintendent. Consequently, the cashbox was not reconciled on a regular basis. As a result, it took an average of seven days between collection at the Center and remittance to the Clerk. We found some instances when it took up to 15 days to remit collections to the Clerk because the secretary was on leave.

The longer money remains undeposited, the greater the risk that loss or theft can occur. In addition, allowing an employee to have custody of cash receipts and be responsible for reconciling the cash drawer and recordkeeping without adequate oversight increases the risk that cash receipts may not be deposited or that errors or irregularities could occur and remain undetected and uncorrected. Furthermore, due to numerous shortages and overages we identified, there may be unaccounted for revenue for which receipts were never written.

### **Cash Collection Records Were Inadequate**

Cash collection records were inadequate. We identified missing, incomplete and inaccurate receipts and special permits. The attendant and secretary

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<sup>4</sup> Unmatched collections represent collections where a special permit was identified with the amount collected, but there was no receipt, receipt number, payment type or date of collection.

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were responsible for accounting duties such as maintaining a manual record of revenues generated at the Center. This included recording fees collected, and organizing and securing the department's copies of receipts and special permits. However, we found that the attendant and the secretary did not maintain adequate records for the amounts collected. The attendant did not maintain a list of daily cash collections and the secretary did not always perform a cash reconciliation when she picked up the cash for remittance to the Clerk.

In addition, the attendant did not always issue duplicate receipts for all checks received. The attendant told us that receipts were not issued for checks because cancelled checks acted as a receipt. We also found that several receipts were hard to read, the form of payment (i.e., cash or check) was not indicated, and several blank receipts were not marked as void. In some instances, we found that press-numbered receipts were missing from the receipt book.

For example, in 2018, of the 297 press-numbered receipts, 29 were blank<sup>5</sup> and three were missing,<sup>6</sup> and officials were unable to account for them. Additionally, the receipts for several special permits were incomplete because dates or receipt numbers were not documented. Furthermore, Center staff issued receipts for 41 special permits totaling \$592 but officials were unable to locate originals or copies of the permits issued.

The secretary was responsible for performing a reconciliation of Center cash collections and preparing cash receipt summaries indicating the amounts collected and remitted to the Clerk. The secretary told us that collections are counted, compared to the press-numbered receipts and documented on a cash collection summary report that is submitted to the Clerk.

However, the secretary did not always prepare the cash collection summary report. We found that cash collection summary reports were prepared only from April through December 2018. The Town Comptroller informed the Superintendent about some of the record keeping issues raised in our report in her June 2019 letter accompanying the 2018 annual internal audit of the department. However, no corrective action was taken.

When records are missing, officials cannot track transactions within the accounting system, making it impossible for them to ensure all funds collected have been deposited. Furthermore, with inadequate records, significant record-keeping errors may not be prevented or detected. Cash, above all other local government assets, has the greatest potential for theft if a system of internal controls is not in place and functioning effectively.

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<sup>5</sup> Blank receipts included both the original and duplicate receipts skipped over in the sequence.

<sup>6</sup> Both the original and duplicate receipts were torn from the receipt book.

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## What Do We Recommend?

The Highway Superintendent should:

1. Ensure that cash collections are remitted to the Clerk timely and intact.
2. Ensure that special permit cash collections are properly receipted, documented, and maintained.
3. Ensure that the cash collection summaries are prepared.
4. Ensure that an employee other than the attendant reconciles the cash report, press numbered receipts and remittance.

The Board and Town officials should:

5. Develop and adopt written policies and procedures for the collection and accounting of department cash receipts that provide guidance for recording, reconciling and remitting fees.



# Appendix A: Remittance Overages and Shortages

Figure 1: 2018 Remittance to Town Clerk

Date	Payment Form				Remittance Form				
	Collection	Cash	Checks	Remitted	Overage (Shortage)	Cash	Checks	Cash Overage (Shortage)	Checks Overage (Shortage)
01/22/2018	\$122	\$122	\$0	\$100	(\$22)	\$100	\$0	(\$22)	\$0
01/30/2018	\$110	\$110	\$0	\$117	\$7	\$117	\$0	\$7	\$0
02/13/2018	\$27	\$27	\$0	\$39	\$12	\$39	\$0	\$12	\$0
02/26/2018	\$65	\$65	\$0	\$56	(\$9)	\$56	\$0	(\$9)	\$0
03/06/2018	\$31	\$25	\$6	\$26	(\$5)	\$20	\$6	(\$5)	\$0
03/19/2018	\$100	\$60	\$40	\$140	\$40	\$100	\$40	\$40	\$0
04/16/2018	\$255	\$218	\$37	\$152	(\$103)	\$115	\$37	(\$103)	\$0
05/09/2018	\$41	\$13	\$28	\$106	\$65	\$88	\$18	\$75	(\$10)
06/11/2018	\$186	\$151	\$35	\$111	(\$75)	\$111	\$0	(\$40)	(\$35)
07/02/2018	\$61	\$41	\$20	\$101	\$40	\$81	\$20	\$40	\$0
07/09/2018	\$0	\$0	\$0	\$75	\$75	\$40	\$35	\$40	\$35
07/16/2018	\$50	\$50	\$0	\$76	\$26	\$61	\$15	\$11	\$15
07/23/2018	\$90	\$90	\$0	\$70	(\$20)	\$70	\$0	(\$20)	\$0
08/02/2018	\$70	\$70	\$0	\$90	\$20	\$80	\$10	\$10	\$10
08/06/2018	\$62	\$62	\$0	\$62	\$0	\$42	\$20	(\$20)	\$20
08/13/2018	\$30	\$30	\$0	\$51	\$21	\$31	\$20	\$1	\$20
09/04/2018	\$227	\$212	\$15	\$212	(\$15)	\$197	\$15	(\$15)	\$0
09/10/2018	\$125	\$125	\$0	\$140	\$15	\$140	\$0	\$15	\$0
09/24/2018	\$160	\$160	\$0	\$151	(\$9)	\$151	\$0	(\$9)	\$0
10/01/2018	\$36	\$36	\$0	\$35	(\$1)	\$35	\$0	(\$1)	\$0
10/15/2018	\$116	\$116	\$0	\$95	(\$21)	\$95	\$0	(\$21)	\$0
10/22/2018	\$100	\$80	\$20	\$90	(\$10)	\$70	\$20	(\$10)	\$0
10/29/2018	\$75	\$65	\$10	\$85	\$10	\$75	\$10	\$10	\$0
11/14/2018	\$161	\$81	\$80	\$236	\$75	\$156	\$80	\$75	\$0
11/19/2018	\$76	\$76	\$0	\$116	\$40	\$116	\$0	\$40	\$0
11/26/2019	\$110	\$110	\$0	\$155	\$45	\$130	\$25	\$20	\$25
12/03/2018	\$110	\$50	\$60	\$180	\$70	\$50	\$130	\$0	\$70
12/10/2018	\$60	\$60	\$0	\$80	\$20	\$80	\$0	\$20	\$0
12/18/2018	\$70	\$70	\$0	\$50	(\$20)	\$50	\$0	(\$20)	\$0
01/02/2019	\$205	\$125	\$80	\$245	\$40	\$165	\$80	\$40	\$0
<b>TOTALS</b>	<b>\$2,931</b>	<b>\$2,500</b>	<b>\$431</b>	<b>\$3,242</b>	<b>\$311</b>	<b>\$2,661</b>	<b>\$581</b>	<b>\$161</b>	<b>\$150</b>

**Figure 2: 2019 Remittance to Town Clerk**

Date	Payment Form					Remittance Form			
	Collection	Cash	Checks	Remitted	Overage (Shortage)	Cash	Checks	Cash Overage (Shortage)	Checks Overage (Shortage)
01/14/2019	\$132	\$112	\$20	\$87	(\$45)	\$87	\$0	(\$25)	(\$20)
01/22/2019	\$80	\$60	\$20	\$75	(\$5)	\$55	\$20	(\$5)	\$0
02/11/2019	\$0	\$0	\$0	\$50	\$50	\$50	\$0	\$50	\$0
03/04/2019	\$70	\$70	\$0	\$40	(\$30)	\$40	\$0	(\$30)	\$0
03/11/2019	\$75	\$55	\$20	\$105	\$30	\$75	\$30	\$20	\$10
03/18/2019	\$181	\$181	\$0	\$176	(\$5)	\$176	\$0	(\$5)	\$0
03/25/2019	\$69	\$39	\$30	\$60	(\$9)	\$30	\$30	(\$9)	\$0
04/01/2019	\$10	\$10	\$0	\$40	\$30	\$40	\$0	\$30	\$0
04/02/2019	\$0	\$0	\$0	\$20	\$20	\$20	\$0	\$20	\$0
05/07/2019	\$36	\$21	\$15	\$31	(\$5)	\$16	\$15	(\$5)	\$0
06/10/2019	\$40	\$40	\$0	\$35	(\$5)	\$35	\$0	(\$5)	\$0
06/17/2019	\$109	\$109	\$0	\$100	(\$9)	\$100	\$0	(\$9)	\$0
06/24/2019	\$90	\$36	\$54	\$64	(\$26)	\$0	\$64	(\$36)	\$10
07/08/2019	\$60	\$30	\$30	\$121	\$61	\$91	\$30	\$61	\$0
<b>TOTALS</b>	<b>\$952</b>	<b>\$763</b>	<b>\$189</b>	<b>\$1,004</b>	<b>\$52</b>	<b>\$815</b>	<b>\$189</b>	<b>\$52</b>	<b>\$0</b>

# Appendix B: Response From Town Officials

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March 2, 2020

Ms. Lisa Reynolds  
Office of the State Comptroller  
Newburgh Regional Office  
33 Airport Center Drive  
Suite 103  
New Windsor, NY 12553

Re: Report of Examination 2019M-237  
Patterson Recycling Center

Dear Ms. Reynolds:

The Town of Patterson has received the above-mentioned Draft Audit Report and intends this letter to serve as the Town's response. After review of the Draft Audit Report, the Town acknowledges the findings presented in the Report and has already begun implementing the key recommendations outlined therein. The Town of Patterson intends to submit a corrective action plan addressing the key findings and recommendations found in the Report in the near future.

The Town of Patterson would like to thank the auditors for their time spent reviewing and identifying potential issues which may have affected the financial health of the Town. The auditors were professional and courteous, and were extremely helpful in assisting us in improving our financial practices. The Town recognizes the importance of the findings and is appreciative of the efforts the audit team made to discuss those findings and review corrective actions the Town might implement.

Sincerely yours,

Richard Williams Sr.  
**SUPERVISOR**

## Appendix C: Audit Methodology and Standards

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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 reviewed Town policies and procedures to identify any policies or procedures related to cash collections at the Center.
- We interviewed Town officials and employees to gain an understanding of the processes and procedures in place for collecting, recording and accounting for cash collected and receipted at the Center and remitted to the Clerk's office.
- We performed a cash count at the Center on September 26, 2019.
- We reviewed all available Center and Clerk receipts and special permits from January 1, 2018 through July 3, 2019 to identify any missing receipts or special permits.
- We analyzed the total special permit collections for the last four completed years (2015 through 2018) and January 1, through July 3, 2019 to identify trends.
- We reviewed all Center cash collections based on duplicate receipts and special permits from January 1, 2018 through July 3, 2019 to determine the total amount collected during the audit period. We traced each source document to the cash collections summary report (if available) and Clerk's receipts and financial application to determine if the collections were remitted timely and intact.

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.

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 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 D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://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/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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Division of Local Government and School Accountability  
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Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

Local Government and School Accountability Help Line: (866) 321-8503

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