



Town of Alabama

Town Clerk Operations

Report of Examination

Period Covered:

January 1, 2012 — November 8, 2013

2013M-369



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2014

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Alabama, entitled Town Clerk Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

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

Respectfully submitted,

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

Introduction

Background

The Town of Alabama (Town) is located in Genesee County. The Town covers an area of 42.8 square miles and has a population of 1,869. The Town provides various services to its residents, including general governmental support, highway maintenance and improvements, snow removal, refuse, fire protection and water. The Town's 2013 general, highway, fire protection and water fund appropriations totaled approximately \$1.65 million. Operations are financed primarily by sales tax, real property taxes, State aid, intergovernmental charges and user charges.

An elected five-member Town Board (Board) is the legislative body responsible for overseeing the Town's operations and finances. The Board consists of the Town Supervisor (Supervisor) and four council members. The Supervisor is the Town's chief executive officer and chief fiscal officer. In addition, an elected Town Clerk (Clerk) is responsible for collecting moneys for conservation, dog and marriage licenses; birth and death certificates and fees for certified copies; permits; and bingo fees. The Clerk is also responsible for billing and collecting quarterly refuse payments and refuse sticker sales. The Clerk must properly record all moneys received and remit these moneys to the appropriate entities, including the Supervisor and the New York State Departments of Agriculture and Markets and Environmental Conservation.

The Clerk is also the Town's Tax Collector, responsible for collecting, accurately recording, depositing and remitting paid property taxes to the Supervisor and County in a timely manner, imposing penalties on late payments and recording interest earned on the deposit of these moneys. The Tax Collector is authorized and directed by the tax warrant to collect the taxes on the tax roll which total approximately \$1.1 million annually (Town and County real property taxes). The Tax Collector is required by the Real Property Tax Law to receive payments during January without penalty and to impose late payment penalties on tax payments made during February and March.

Objective

The objective of our audit was to review the processes and procedures for the Clerk's financial operations. Our audit addressed the following related question:

- Did the Clerk record, deposit, disburse and report all moneys collected in a timely and accurate manner?

Scope and Methodology

We examined the records and reports of the Clerk's office for the period January 1, 2012 through November 8, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix C of this report.

**Comments of
Town Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our findings and recommendations and indicated that they have taken or plan to initiate corrective action. Appendix B includes our comment on an issue raised in the Town'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 Clerk's office.

Town Clerk

The Town Clerk/Tax Collector (Clerk) is responsible for receiving, recording, depositing, disbursing and reporting all moneys collected in an accurate and timely manner. This requires maintaining complete and accurate accounting records, ensuring that moneys received are safeguarded, promptly depositing moneys received into the Clerk's bank accounts and disbursing those moneys to the appropriate parties.

We found that the Clerk deposited all moneys collected and remitted these moneys to the Supervisor, County, and other agencies appropriately. In addition, moneys collected were reported in an accurate and timely manner. However, the Clerk, as the Tax Collector, did not deposit or remit real property taxes received in a timely manner. We also found that the Board is not providing adequate oversight of the Clerk's operations and has not conducted an annual audit of the books and records of the Clerk or the Tax Collector as required. Because of these weaknesses, the risk is increased that Town moneys could be lost or misappropriated.

Deposits — The Clerk is responsible for ensuring that all money collected by her office is deposited and recorded in a timely manner and intact. Town Law generally requires the Clerk to deposit all moneys received no later than three business days after the total exceeds \$250. The Tax Collector is required by the Town Law to deposit all moneys collected within 24 hours of receipt.

Although the Clerk's deposits were made intact, they were not always timely. We found that 30 of the 59 Tax Collector deposits made between January 1, 2012 and April 8, 2013 were not deposited timely. We also reviewed 70 Town Clerk deposits made between January 1, 2013 and September 30, 2013 and found that one deposit was not made in a timely manner. The Clerk generally takes deposits to the bank once a week.¹ The weekly deposit ensures that the Town Clerk deposits are made in a timely manner. However, a weekly deposit does not fulfill the requirement for the timely deposit of tax collection moneys.

We also selected a judgmental sample of 50 Tax Collector transactions from the cash book and compared them to the receipts and deposits, and found no differences. In addition, we selected 17 tax receipts and 26 Town Clerk receipts and compared them to the cash book and deposits, and found no areas of concern.

¹ The Clerk makes deposits at the end of the day on Thursday. Her office does not reopen until Monday; therefore, all deposits are made within three business days.

Disbursements — Town Law requires the Tax Collector to remit all deposits to the Supervisor at least once each week until the Town's portion of the tax levy is satisfied, and to remit all residual collections to the County Treasurer by the 15th day of each month following their receipt.

In her role as the Tax Collector, the Clerk made timely remittances of tax moneys to the County. However, the Clerk did not remit all deposits to the Supervisor at least once each week until the Town's portion of the tax levy was satisfied. Instead, the Clerk remitted the Town's entire portion of the tax levy to the Supervisor only at the end of January and the interest and penalties after the settlement with the County. We reviewed bank account activity in 2012 and 2013 and found that the Clerk transmitted only three tax collections to the Supervisor in 2012 (\$174,000 on January 24, \$2,000 on April 16 and \$320 on June 14) and two tax collections in 2013 (\$176,000 on January 19 and \$1,600 on May 5).

Annual Audit — The Board did not perform an annual audit, or retain an independent auditor to audit the books and records of the Clerk and the Tax Collector, as required by the Town Law. Although the Town contracted with an external auditor to perform a financial audit for the 2012 fiscal year, the audit's primary purpose was to express an opinion on the Town's financial statements (i.e., the records of the Supervisor). The audit engagement letter did not indicate that the Clerk or Tax Collector would be audited and we found no indication in the audit report that these departments were audited. Consequently, the Board did not provide appropriate oversight or comply with the Town Law. This is a particularly important control because of the limited segregation of duties in the Clerk's office.

Recommendations

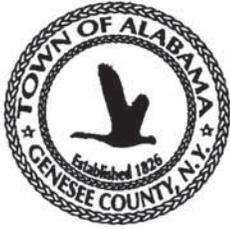
1. The Clerk should deposit all moneys on a timely basis in compliance with statutory requirements.
2. The Clerk should remit all moneys to the Supervisor in compliance with statutory requirements.
3. The Board should annually audit, or retain an independent auditor to audit, the Clerk's and Tax Collector's books and records.

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

The Town officials' response to this audit can be found on the following page.

The Town's response letter refers to an attachment that supports the response letter. Because the Town's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix A.



TOWN OF ALABAMA

2218 Judge Road, Oakfield, NY 14125

March 3, 2014

Robert Meller, Chief Examiner
Office of the State Comptroller
Ellicott Square Building
Room 1032
295 Main Street
Buffalo, NY 14203

Re: Town of Alabama Audit Response and Corrective Action Plan

Dear Mr. Meller:

As Supervisor for the Town of Alabama I am writing today to acknowledge receipt of the draft Audit by your office of the Scope of Operations of the Town Clerk of the Town of Alabama. The draft Audit was reviewed by the Town Board at our February 10, 2014 meeting. As a result, I have been directed to send this Response Letter and Corrective Action Plan.

As a result of the recommendations made by your office the Clerk now makes all tax deposits within the mandatory 24 hour timeframe.

Furthermore, the Clerk now remits all tax payments to the Supervisor once a week.

For purposes of clarification I attach a letter submitted to the Town from their auditors at Freed Maxick, CPAs clarifying their role in conducting an audit of the Town's finances for Fiscal year ending December 31, 2012. The audit did in fact include the Town Clerk/Tax Collector's books and records. However, they did not include a separate departmental report with their audit. Please see attached.

See
Note 1
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The Town Board will continue to audit the Clerk's books and records through their own efforts or by retaining an external auditor for those purposes as required by law.

Thank you and your assistance in this matter is greatly appreciated.

Very Truly Yours,

Daniel D. Mangino
Supervisor

Enc.

Telephone (585) 948-9341

Fax (585) 948-9423

APPENDIX B

OSC COMMENT ON THE TOWN'S RESPONSE

Note 1

The engagement letter with the external auditor merely indicated that a financial statement audit was to be performed. We subsequently contacted the external auditor who indicated that if control deficiencies were identified with the Clerk/Tax Collector's office, they would be included in the management letter. However, no control deficiencies relating to the Clerk/Tax Collector were cited in the management letter. The checklists mentioned in the external auditor's letter should have identified the control deficiencies that were included in our audit report.

It is unclear how the Board would be aware that the external auditor had performed certain review procedures, had audited these departments and/or that there were control deficiencies. The annual audit of these departments should be transparent to the Board, the public and other interested parties.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review the processes and procedures of the Clerk's office and assess whether moneys were properly accounted for. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed the Clerk and the Deputy Clerk regarding practices and procedures for the Clerk, refuse, and tax receipts.
- We reviewed Town policies and procedures for the Clerk.
- We interviewed the Supervisor, another Board member and the bookkeeper to determine the level of Board oversight.
- We reviewed the external audit engagement letter and audit report to determine the scope of the audit.
- We reviewed the cash receipts journal, daily cash reports and bank statements to verify that recorded receipts were deposited intact and in a timely manner.
- We reviewed recent bank reconciliations and traced payments made to the Supervisor, Genesee County and other agencies.
- We performed a cash count of the Clerk's office to establish the amount of cash and checks on hand for comparison to the cash receipts journal.
- We reviewed 70 Clerk and 59 Tax Collector (total population) deposits and available supporting documentation to determine when the Clerk received the receipts, the amounts collected and the dates that the Clerk deposited them.
- We tested 67 Tax Collector transactions to ensure that the amount collected per the cash report and deposit slip matched the receipt.
- We compared 26 Clerk receipts to the cash book and deposit slips.
- We examined the deposit composition for two months of deposits for the Clerk and Tax Collector accounts, months were judgmentally selected including those with a greater amount of activity.

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

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