



Town of Bangor

Board Oversight

Report of Examination

Period Covered:

January 1, 2011 — May 31, 2012

2012M-193



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials and Corrective Action	4
BOARD OVERSIGHT	5
Selected Departmental Operations	5
Claims Processing	8
Annual Audit	9
Recommendations	9
APPENDIX A Response From Local Officials	11
APPENDIX B Audit Methodology and Standards	13
APPENDIX C How to Obtain Additional Copies of the Report	15
APPENDIX D Local Regional Office Listing	16

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2013

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 Bangor, entitled Board Oversight. 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 Bangor is located in Franklin County and has approximately 2,220 residents. The Town is governed by an elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four council members. The Board is responsible for the general oversight of the Town's operations and finances, including establishing appropriate internal controls to safeguard Town assets. The Supervisor is elected for a two-year term and is both the Town's chief executive and chief financial officer. The Board appoints a Code Enforcement Officer and a Dog Control Officer.

The Town provides various services to its residents, including road maintenance, snow removal, public improvements, recreation and cultural activities, water, and general government support. The Town's budgeted appropriations for the 2012 fiscal year are approximately \$981,500, funded primarily with real property taxes.

The Code Enforcement Officer issues building permits for new construction projects within the Town's boundaries. The Town also owns and operates a dog kennel and provides dog control services to Town residents, surrounding towns and the St. Regis Mohawk Tribe.¹ The Dog Control Officer is responsible for the kennel's day-to-day operations, which generated approximately \$15,000 in revenues during our audit period.

Objective

The objective of our audit was to review the internal controls over selected Town operations. Our audit addressed the following related question:

- Has the Board provided adequate oversight of selected departments and claims processing?

Scope and Methodology

We examined the Town's financial records and reports for selected activities for the period January 1, 2011, to May 31, 2012.

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 B of this report.

¹ A contract with the Tribe or Tribal compact to provide this service was not available for our review.

**Comments of
Local 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 recommendations and have initiated, or indicated they planned to initiate corrective action.

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 Town Clerk's office.

Board Oversight

The Board is responsible for oversight of the Town's departmental operations and the audit of claims. The Board fulfills this responsibility by assigning duties to Town officers and employees that are in compliance with law and Town policies. The Board should ensure that financial transactions are properly authorized, recorded and reported, and annually audit the books and records of those officers and employees that receive or disburse Town funds.

The Board also fulfills its responsibility by implementing an effective system for claims processing to ensure that every claim against the Town is audited prior to payment and contains supporting documentation to determine that purchases comply with statutory requirements and Town policies. Conducting a proper audit of claims prior to payment is an integral part of internal controls over the Town's payment of claims.

The Board is not providing adequate oversight of the Dog Control Officer and Code Enforcement Officer. The Board did not require the Officers to remit the fees they collected to the Town. Instead, it approved both Officers to retain fees collected on the Town's behalf which circumvented Town Law.² In addition, we found that the Board gave both Officers approval to open and maintain bank accounts for cash collections and disbursements for their respective operations with no Board oversight.

The Board's review of claims was inadequate, resulting in claims being paid prior to Board audit and approval, certain claims lacking adequate supporting documentation and payments for goods and services that were not for appropriate Town purposes. The Board did not audit the records of the Supervisor, Town Clerk, Dog Control Officer and Code Enforcement Officer. As a result of these weaknesses, the Board does not have reasonable assurance that Town resources are being safeguarded, properly accounted for, and used only for proper Town purposes.

Selected Departmental Operations

In general, every Town officer or employee who receives fees or moneys in connection with his office must remit the fees or money to the Supervisor not later than the 15th day of each month following the receipt. Except as otherwise provided by law, the Supervisor, as the Town's chief fiscal officer, is responsible for maintaining custody of Town moneys and generally should maintain control of bank accounts. In addition, Town officers and employees who receive fees or money

² Town Law Section 27(1)

should issue press-numbered, duplicate cash receipts to account for all funds received. It is important for the Board to monitor departmental disbursements by reviewing all claims and requiring sufficient supporting documentation for all claims prior to any payments being made. Finally, even though the departments discussed below have relatively small budgets, the Board is responsible to oversee their operations and monitor their budgets.

Dog Control Officer – The Board-appointed Dog Control Officer is responsible for the dog control duties and for managing and overseeing the daily operations of the dog kennel, which requires maintaining dog seizure records and financial records. Additionally, he prepares and collects dog control billings for the St. Regis Mohawk Tribe and is responsible for collecting redemption fees, adoption fees, veterinary fees and kennel fees.

At the January 12, 2012 Board meeting, the Board authorized the Dog Control Officer to open and maintain a checking account for the receipt and disbursement of dog control moneys. Furthermore, the Board approved the Dog Control Officer to retain half of the fees collected from the St. Regis Mohawk Tribe in addition to his yearly salary, which is not compensation authorized by Town Law.³ Although he is required to forward all other collections to the Supervisor by the 15th of the following month that collections were received, he does not forward the collections to the Supervisor. Finally, the Board has allowed the Dog Control Officer to maintain a separate checking account for all dog controls collections and disbursements without any oversight.

The Dog Control Officer does not issue press-numbered, duplicate cash receipts for the cash he receives. We reviewed a random sample⁴ of 20 Dog Seizure and Disposition Report (DL-18)⁵ forms that were completed during our audit period and traced these to deposits recorded on the bank statements to verify that the collections were deposited into a Town account. Of the 26 cash collections reported, totaling \$1,904, we could not trace 13 collections totaling \$860 to a related deposit on the bank statement because of the lack of adequate documentation, such as duplicate manual cash receipts, duplicate deposit tickets or deposit compositions.

³ Town Law Section 27(1) provides that salaries fixed for town officers “shall be in lieu of all fees, charges and compensation for all services rendered to the town...”

⁴ We used a computerized random number generator to select a sample of 20 DL-18 forms from all 76 DL-18 forms issued during the period of January 1, 2012 to May 31, 2012, totaling \$2,181.

⁵ The Dog Seizure and Disposition Report (DL-18) contains the information related to dog seizure, disposition and fees collected.

We also reviewed all 27 cash disbursements, totaling \$1,502, made from January 1, 2012 through May 31, 2012 to determine if the payments were adequately documented and for appropriate Town purposes. We found that five disbursements totaling \$349 did not contain adequate supporting documentation such as an itemized invoice detailing the goods and services purchased or an itemized receipt for reimbursements paid to the Dog Control Officer. As a result, we could not determine if the disbursements were for appropriate Town purposes.

Code Enforcement Officer – The Code Enforcement Officer is not authorized by Town Law to retain the fees he collects and must remit them to the Supervisor. However, contrary to the Law, the Board allowed the Code Enforcement Officer to retain building permit fees collected as part of his compensation,⁶ in addition to his yearly salary. Furthermore, the Board allowed the Code Enforcement Officer to maintain a Town checking account to deposit and disburse building permit fees and the Supervisor failed to ensure that building permit receipts⁷ were forwarded to his office.

We reviewed all 17 building permits issued during the period of January 1, 2012 through May 31, 2012, totaling \$637, to verify that collections were deposited into the Code Enforcement Officer's checking account. We also examined all 17 building permits to verify that the fees collected agreed with the Town's approved rate. Finally, we reviewed the one disbursement from the Code Enforcement Officer's account, totaling \$90, to determine if it was for appropriate purposes. We found that all of the building permits were accounted for and charged at the approved rates. However, the Code Enforcement Officer did not deposit all receipts and paid himself \$248 in cash from undeposited receipts in addition to writing a \$90 check to himself, both as part of his compensation.

The Board circumvented Town Law by allowing the Dog Control Officer and the Code Enforcement Officer to retain the fees collected as part of their compensation. In addition, it failed to fulfill its fiscal oversight responsibilities by allowing these officers to make disbursements and to maintain checking accounts without any oversight. The Board's failure to oversee departmental operations increases the risk that moneys could be misappropriated and any loss or theft may not be detected and corrected.

⁶ This has been an ongoing practice for years. No Board resolution was available to support the practice.

⁷ The Code Enforcement Officer issues receipts but they are not press-numbered. He was unable to provide all of the receipts issued for the audit period.

Claims Processing

The Board is responsible for auditing claims and establishing internal controls which ensure that each claim contains sufficient supporting documentation to determine compliance with policies and statutory requirements, and that the amount claimed represents a legal obligation and proper charge against the Town. Claims are bills or invoices submitted by vendors requesting payment for goods or services furnished to the Town. With few exceptions,⁸ Town Law requires the Board to audit and approve all claims before the Supervisor can disburse payment. The audit of claims should not be a casual review. Instead, it should be a deliberate and thorough process to determine whether proposed payments are proper, including whether the Town's purchasing procedures and pertinent State laws have been followed. All claims must be written, itemized and accurate, include evidence of the approval of the Town official whose action gave rise to the claim, and include evidence that the goods or services have been received.

The Town's claims auditing process does not ensure that taxpayer funds are properly safeguarded and used only for authorized purposes. The Board had not ensured that detailed procedures were in place for a proper and thorough audit of claims. During our initial review, we found deficiencies including payments made prior to Board audit, lack of adequate support to demonstrate the payments were proper, and improper payments.

We reviewed 760 claims totaling \$757,109⁹ to determine whether they were audited and approved prior to payment, were properly supported and were for proper municipal purposes and found the following deficiencies:¹⁰

- 57 claims totaling \$30,989 were paid prior to Board audit and approval. Furthermore, 18 of these claims which totaled \$7,054 were not even presented to the Board by the Supervisor for possible ratification subsequent to payments being made.
- 172 claims totaling \$192,541 lacked adequate documentation to substantiate the claim. We found that the Board approved claims that contained no supporting documentation. For example, the Board approved a claim totaling \$24,558 for paving materials with no supporting documentation.
- 20 claims totaling \$6,099 were paid incorrectly or for questionable purposes. Thirteen payments totaling \$4,795

⁸ For example, public utility services, postage, freight and express charges may be paid in advance of audit if authorized by Board resolution.

⁹ 100 percent of claims during the audit period, including some 2011 dog control disbursements but not 2012 dog control disbursements

¹⁰ Some claims had more than one deficiency.

were paid to six individuals as independent contractors when these individuals were actually employees and should have been paid through the payroll process with the payments being subject to applicable Federal and/or State taxes. For example, the Town paid \$590 to a Board member's son for work performed at the dog kennel as an independent contractor when he was actually an employee of the Town.

The Board's failure to conduct a deliberate and thorough audit of claims increases the risk that the Town could pay for expenditures that are not authorized or not for valid purposes, or pay for goods and services that were not actually received.

Annual Audit

Town Law¹¹ requires that, annually, on or before January 20, each Town officer and employee who received or disbursed any moneys in the previous year account for these moneys with the Board. The purpose of this annual accounting is to provide assurance that public moneys are handled properly (i.e., deposited in a timely manner, accurately recorded, and accounted for), to identify conditions that need improvement, and to provide oversight of the Town's financial operations. A thorough annual review also provides the Board an added measure of assurance that financial records and reports contain reliable information on which to base management decisions. An annual audit is especially important when there is a limited segregation of duties.

With the exception of the Town Justices and the Tax Collector, the Board did not audit the financial books and records of all officers and employees who received or disbursed moneys on behalf of the Town during the year. Specifically, the Board did not audit, or cause to be audited, the records of the Supervisor, Town Clerk, Code Enforcement Officer and Dog Control Officer.

The Board's failure to examine these records and reports diminishes its ability to sufficiently monitor the Town's financial operations and ensure that the Supervisor and other Town officers and employees follow established policies. In addition, there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

Recommendations

1. The Board should assign duties and responsibilities to Town officers and employees that are in compliance with laws and regulations. Town officers and employees should remit all fees and collections to the Supervisor by the 15th of the following month that collections were received.

¹¹ Town Law Section 123. The Board may also engage the services of a CPA or public accountant to conduct the audit.

2. The Supervisor should maintain custody of all Town bank accounts. The Dog Control and the Code Enforcement accounts should be closed and all funds remitted to the Supervisor's account on a daily basis.
3. The Board should monitor departmental operations by ensuring that all information regarding the dog control and code enforcement revenues and expenditures is included in the accounting records and the budget status reports.
4. The Board should conduct a thorough and deliberate audit of the claims for payment against the Town, before they are paid, ensuring that each claim has sufficient supporting documentation and represents a valid Town expenditure.
5. The Board should conduct an annual audit of the records and reports of all Town officers and employees who received or disbursed money during the preceding fiscal year or hire an accountant to conduct the audits.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

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BANGOR.NY@GMAIL.COM

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North Bangor, New York 12966-0337

Supervisor
Gary Monica
Town Clerk
Linda Shova
Tax Assessor
David Rotman
Tax Collector
Sharon Debyah
Dog Control Officer
Roy Richards

Town Councilman
Tim Tallman
Gerald Perry
Barry White
Joey St. Mary
Superintendent of Highways
Jamie St. Hilaire
Town Justice
Frederick Boardway
Code Enforcement Officer
Robert Jock

This letter is in response to the findings of the Report of Examination of the Audit performed by the Office of the State Comptroller covering the period January 1, 2011 - May 31, 2012. The town of Bangor agrees with the findings and has taken corrective action as follows:

Dog Control Officer –The Dog Officer Bank account has been closed and all receipts are being turned over to the Supervisor on a daily basis. The fees collected from the St. Regis Mohawk Tribe will be turned over to the Town of Bangor. The Dog Control Officer salary has been increased and he will no longer receive additional compensation from the St. Regis Mohawk Tribe. In addition a financial report is provided to the Town Board each month from the Dog Control Officer. The Bookkeeper provides the Town Board and the Dog control officer a Trial Balance of all Dog money Activity each month.

Code Enforcement Officer - The Code Officer will close out his checking account and all receipts will be turned over to the Town Supervisor on a daily basis. His only compensation from the town will be his salary as stated in the budget.

Claims Processing–All claims will be paid by voucher and no voucher will be submitted to the supervisor without the proper documentation. After the Supervisor has approved the voucher, the Town Clerk will submit an abstract of vouchers to the Town Board for their signature. Each board member will review the vouchers individually and sign them accordingly. After the meeting the checks will be printed and returned to the Supervisor for signature and mailing. Claims will not be paid according to statements or without the proper itemization. The Highway Superintendent prepares his own vouchers and will include all invoices with them. He will turn these over to the Town Supervisor for approval before they are submitted to the Town Board for payment.

All individuals performing work for the town as independent contractors will receive a 1099 for their services as required by Federal guidelines.

The Town Board does receive and will continue to receive a Supervisors report and a trial balance each month that provides financial accounting for the previous months. These reports show the total revenue and expenditures for each fund individually as well as the beginning and ending balance for each fund. The trial balance provided to the Town Board shows a cumulative total by line item, the budget amount and the balance (over or short) of each account.

GARY MONICA,
Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk.

During the initial assessment, we interviewed Town officials, performed limited tests of transactions, and reviewed pertinent documents such as Town policies, Board minutes, and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided upon the reported objective and scope by selecting for audit the area most at risk. We selected Board oversight for further audit testing.

To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following:

- We interviewed Town officials, reviewed the Board minutes, and reviewed various financial records and reports related to Board oversight, to gain an understanding of the internal controls over the Code Enforcement Officer, the Dog Control Officer, the claims process and annual Board audits and any associated effects of deficiencies in those controls.
- We reviewed a random sample of 20 DL-18 forms that were completed during our scope period to verify that the collections were deposited into Town accounts. We used a computerized random number generator to select a sample of 20 DL-18 forms from all 76 DL-18 forms completed during the period of January 1, 2011 to May 31, 2012 totaling \$2,181.
- We reviewed all 27 dog control cash disbursements made during the period of January 1, 2012 through May 31, 2012, totaling \$1,502, to determine if the payments were adequately documented and for appropriate Town purposes.
- We reviewed all 17 building permits issued, totaling \$637, during the period of January 1, 2012 through May 31, 2012 to verify that collections were deposited into the Code Enforcement Officer's checking account. We also examined all 17 building permits to verify that the fees collected agreed with the Town's approved rate. Finally, we reviewed the one disbursement from the Code Enforcement Officer's account, totaling \$90, to determine if it was for appropriate purposes.
- We reviewed 760 claims totaling \$757,109 to determine whether they were audited and approved prior to payment, were properly supported and were for proper municipal purposes. The claims covered the audit period of January 1, 2011 through May 31, 2012 for the general, highway and water funds.

- We reviewed the Board minutes for January 2011 through May 2012 and interviewed Town officials to determine whether the Board audited or caused an audit of each Town officer and employee who received or disbursed any moneys in the previous year.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

APPENDIX C

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AND SCHOOL ACCOUNTABILITY

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Steven J. Hancox, Deputy Comptroller
Nathaalie N. Carey, Assistant Comptroller

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