



Town of Hague

Departmental Cash Receipts

Report of Examination

Period Covered:

January 1, 2013 — April 30, 2014

2014M-320



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2015

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 Hague, entitled Departmental Cash Receipts. 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 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 Hague (Town) is located in Warren County and has a population of approximately 700. The Town is governed by an elected five-member Town Board (Board) which comprises the Town Supervisor (Supervisor) and four council members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for the receipt, disbursement and custody of Town moneys, maintaining accounting records and providing financial reports to the Board.

The Town provides various services to its residents, including maintaining and improving Town roads, snow removal, public improvements, transfer station, planning and zoning, park recreation and cultural activities, sewer and general governmental support. The Town's budgeted appropriations for the 2014 fiscal year were approximately \$2.5 million, which were funded primarily by real property taxes, sales tax and State aid.

Objective

The objective of our audit was to evaluate internal controls over departmental cash receipts. Our audit addressed the following related question:

- Are internal controls over departmental cash receipts adequately designed and operating effectively?

Scope and Methodology

We examined the departmental cash receipts process of the Town of Hague for the period January 1, 2013 through April 30, 2014.

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. Our initial assessment included evaluations of the following areas: control environment, financial condition, budgeting, the accounting system, cash receipts and disbursements, purchasing, claims processing, payroll, user charges, deposits and investments, Town Clerk, Justice Court and information technology. Based on the evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the processing of cash receipts and, therefore, we examined internal controls over the Town's departmental cash receipts process.

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 B of this report.

**Comments of
Local Officials**

The results of our audit have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our findings.

Departmental Cash Receipts

The Board is responsible for establishing adequate internal controls to properly safeguard the Town's assets. It is important for the Board to establish policies and procedures to provide assurance that departmental collections are adequately supported, safeguarded, accounted for and deposited. A well-designed system of controls over departmental collections also provides for the timely supervision of those charged with handling money and a reliable accountability of cash collections.¹ In addition, while New York State Town Law requires cash collections to be deposited into the Town's bank accounts within 10 business days of receipt, sound business practices call for collections to be deposited as soon as possible to minimize the risk of theft or loss.

We found that the Board has established adequate internal controls over the departmental processing of cash collections.

Overall Collections – We reviewed 30 collections of various types² totaling \$19,682 to determine if they were supported by adequate documentation of the date, amount, purpose and payer name. We also reviewed the same 30 collections to determine whether they were accurately accounted for and deposited in a timely manner and intact (i.e., in the same form – cash or check – as collected). Except for minor exceptions related to supporting documentation, the collections were adequately supported and accounted for, and deposits were timely and intact.

Boat Launch Fees – The Town operates a public boat launch at its park from May through September each year. The Town charges each non-resident a boat launch fee of \$15 per launch while Town residents are allowed to use the boat launch for free.

Boat launch fees are collected by the park attendants or the Park Chairman (Chairman), who use a press-numbered duplicate receipt book to record the fee when it is collected. The original receipt is given to the customer and the duplicate receipt is kept with the money collected, in the guard shack, until it is remitted to the Supervisor's clerk at the Town Hall. A manual log sheet is also maintained on

¹ For example, through the use of duplicate press-numbered receipts and daily collections reports

² We tested collections of the Town Clerk, Justice Court, zoning fees, cell tower rent and a snowmobile contract with Warren County (allowing County use of Town trails). The collections comprised \$19,174 in checks and \$508 in cash. Refer to Appendix B for further information on our sample selection.

a daily basis for each boat launch fee collected. The log includes the date, beginning daily balance, receipt number, money collected, ending daily balance, park attendant initials and total amount of money remitted to or collected by the Chairman. At the end of each day or the following morning, the Chairman reconciles the money on hand with the duplicate receipt book and the manual log sheet to confirm that all money collected was accounted for prior to remitting the money to the Supervisor's clerk.

We reviewed 20 boat launch remittances to the Supervisor's clerk totaling \$1,045³ and found that all the money remitted was properly accounted for in the Town's computer system and on the boat launch log sheet and that the remitted deposits were timely and intact. We also reviewed all 253 boat launch duplicate receipts, totaling \$3,795, that were logged on the manual log sheet during our audit period by the park attendants or Chairman to determine if receipts were issued in sequential order. Except for minor exceptions that we discussed with Town officials, the receipts were issued sequentially.

Sewer Rents – The Town Clerk is responsible for collecting sewer rents, recording collections in the sewer billing software system and printing receipts for the customer indicating if the rents were paid by cash or check. The Town collected \$284,924 in sewer rents for fiscal year 2013.

The Town Clerk scans all checks received with a check scanner which allows immediate deposit of the checks into the Town's bank account. For sewer rent payments received in cash, she fills out a deposit slip for the total amount of cash received for the day and gives the cash and deposit slip to the Supervisor's clerk for deposit. At the end of the day, the Town Clerk runs a collections report from the sewer billing software and compares it to a report generated from the scanner (of checks received) and any cash collections for the day to verify that they are in agreement.

We reviewed a random sample of 30 sewer billing collections totaling \$27,462 to determine if they were supported by adequate documentation,⁴ accurately recorded in the accounting system and deposited intact and in a timely manner. We found no exceptions.

We commend Town officials for designing and implementing an appropriate system of controls over departmental cash receipts.

³ See Appendix B for details on our test selection.

⁴ Such as duplicate press-numbered receipts, sewer bills and daily collection reports

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

Town of Hague

Community Center • 9793 Graphite Mountain Road • P.O. Box 509 • Hague, NY 12836

January 12, 2015

Mr. Jeffrey Leonard, Chief Examiner
Office of the State Comptroller
Glens Falls Regional Office
One Broad Street
Glens Falls, New York 12801-4396

Dear Mr. Leonard,

The Town of Hague has received the draft of its Audit for the period January 1, 2013 through April 20, 2014. We looked forward to any recommendations that would ensure us better oversight for fiscal responsibility for the Hague taxpayers. We wish to thank the Office of the State Comptroller for providing the Town with an audit that recognizes the commitment of the Town Administration and its employees in ensuring that the Town's financial resources are properly safeguarded. The internal controls, policies and procedures that have been streamlined over the years have proven to be very effective. The recommended minor operational changes have already been instituted. As there were no formal recommendations, there is no need to implement a corrective action plan.

The Town would like to thank and commend [REDACTED] who was an absolute pleasure to work with. He was very proficient, professional and considerate of the office staff and their time.

We believe the report was accurate and a fair representation of Town practices.

Thank you.

Sincerely,

Edna A. Frasier
Supervisor

EAF/dt

Phone: (518) 543-6161 • Fax: (518) 543-6273

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the Town's internal controls. 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 and procedures, 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 or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected departmental cash receipts for further testing for the period January 1, 2013 through April 30, 2014.

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

- We interviewed Town officials and employees and reviewed Town policies and various financial records and reports related to departmental cash receipts to gain an understanding of the internal controls over departmental cash receipts and any associated effects of deficiencies in those controls.
- We reviewed a sample of 30 departmental cash collections totaling \$19,682 that were remitted to the Town Hall during our audit period to verify that they contained adequate supporting documentation, were accurately accounted for in the financial software and deposited intact and in a timely manner. For this test, we selected a random sample of 15 departmental cash collections from the cash receipts journal and judgmentally selected 15 bank statement deposits by selecting three months during our audit period and selecting the five highest deposits in each month.
- We selected a sample of 20 boat launch cash receipts totaling \$1,045 that were remitted to the Town Hall for deposit during our audit period to verify that they contained adequate supporting documentation, were accurately accounted for and were deposited intact and in a timely manner. These receipts comprised a random sample of 10 boat launch collections from the cash receipt journal and a judgmental sample of 10 entries selected by taking every 21st entry from the boat launch log sheet during our audit period.
- We reviewed all 253 boat launch receipts issued during our audit period to verify whether they were issued in sequential order.
- We randomly selected a sample of 30 sewer billing cash receipts totaling \$27,462 that were remitted to the Town Clerk during our audit period to verify that they contained adequate supporting documentation, were accurately accounted for in the financial software and were

deposited intact. We selected the sample from the reports of utility billing cash receipts generated during our audit period.

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.

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