



Town of Hammond

Town Clerk Operations

Report of Examination

Period Covered:

January 1, 2013 — April 30, 2014

2014M-350



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Hammond, 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 New York State 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Hammond (Town) is located in St. Lawrence County (County) and had a population as of the 2010 census of 1,191 residents. The Town is governed by an elected five-member Town Board (Board) that consists of the Town Supervisor (Supervisor) and four Board 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 and disbursement of Town moneys, maintaining accounting records and providing financial reports to the Board.

The Town Clerk (Clerk)¹ is an elected position whose responsibilities include collecting moneys for the sale of dog and marriage licenses, birth and death certificates and fees for certified copies. Clerk fees in 2013 totaled approximately \$13,000. The Clerk is also the Town's Tax Collector whose responsibilities include collecting Town and County real property taxes, which totaled approximately \$2.5 million in 2013 and \$2.2 million in 2014. In February 2014, the Board performed an audit of the Town Clerk's records for the 2013 fiscal year, during which it identified various deficiencies in the Clerk's records and subsequently requested that the State Comptroller conduct an audit of the Clerk's Office.

Scope and Objective

The objective of our audit was to review the Clerk's financial operations for the period January 1, 2013 through April 30, 2014. We extended our scope to review tax collection deposits through June 30, 2014. Our audit addressed the following related question:

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

Audit Results

The Clerk did not always record, deposit, disburse and report all moneys collected in a timely and accurate manner. The Clerk recorded cash receipts received in the accounting system, but did not compare the collections to bank deposits, which would have identified more than \$10,000 in tax moneys and \$1,030 in Clerk fees that were deposited but not recorded. As a result of neglecting to record the \$10,000 in tax collections, the Clerk incorrectly issued delinquent tax notices to six taxpayers and sent one of these taxpayers' accounts to the County for enforcement.

¹ The Clerk served through October 2014.

In addition, the Clerk did not perform bank reconciliations or monthly accountabilities. Consequently, the Clerk was unable to account for approximately \$5,029 remaining in the tax collector bank account after the 2014 tax settlement. Although we were able to identify the source of \$4,054 of these funds, the Clerk's cash exceeded known liabilities by \$975 as of June 30, 2014.

The Clerk did not issue duplicate receipts for cash collections received from the code enforcement officer or retain copies of issued dog licenses as a receipt for payments made and did not always record all cash collections in the Clerk's office records. As a result, during our audit period, total bank deposits (\$15,786) exceeded the total amount recorded in the monthly cash reports (\$14,757) by \$1,029 and the total amounts reported to the Supervisor (\$15,513) by \$273. Although we identified recording errors in the accounting system that resulted in these differences, the Clerk could not explain the reasons for these differences.

Also, the Clerk did not always deposit moneys in a timely manner. During our review of all tax collection deposits totaling \$633,554 made in February 2013, we found that the Clerk deposited receipts totaling \$270,451 (43 percent) an average of six days later than they should have been deposited. For the tax receipts collected in January 2014 totaling \$1.2 million, we found that the Clerk generally deposited tax receipts in a timely manner based on the receipt dates that she had entered in the tax system. However, because the Clerk may not have recorded the actual dates that she had received the cash receipts and did not retain any source documents, it is possible that the deposits we reviewed may have been less timely than indicated.

The Clerk did not always remit all tax receipts to the County by the 15th of the month following their collection and did not remit interest, penalties and second-notice fees to the Supervisor in a timely manner. During our review of all tax collection deposits made in February 2013 and January 2014, we found that the Clerk did not remit February 2013 collections to the County until March 27, 12 days past the due date. Also in 2013, the Clerk did not remit interest, penalties and second-notice fees totaling \$3,391 to the Supervisor until November 2013, which was five months after she had settled with the County. The Clerk told us she was unaware of the legal remittance requirement.

Lastly, the Clerk did not properly secure all moneys prior to deposit. During our fieldwork, we observed moneys stored in various places, such as in an unlocked drawer in her office and an organizer located on her desk. In addition, the Clerk's office was not always locked when she was away from her desk and was accessible to the public. When cash is not properly secured, the Town has an increased risk that cash assets may be lost or misused.

Comments of Local Officials

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 agreed with our recommendations and indicated they have initiated corrective action.

Introduction

Background

The Town of Hammond (Town) is located in St. Lawrence County (County) and had a population as of the 2010 census of 1,191 residents. The Town is governed by an elected five-member Town Board (Board) that consists of the Town Supervisor (Supervisor) and four Board 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 and disbursement of Town moneys, maintaining accounting records and providing financial reports to the Board.

The Town Clerk (Clerk)² is an elected position whose responsibilities include collecting moneys for the sale of dog and marriage licenses, birth and death certificates and fees for certified copies. The Clerk also records and remits permit, fire inspection and telecommunication fees that are initially received by the code enforcement officer to the Supervisor on a monthly basis. The Clerk must properly record all moneys received into the accounting records and remit these moneys to the appropriate entities, including the Supervisor, New York State Department of Agriculture and Markets and New York State Department of Health. Clerk fees in 2013 totaled approximately \$13,000.

The Clerk is also the Town's Tax Collector, whose responsibilities include collecting Town and County real property taxes, which totaled approximately \$2.5 million in 2013 and \$2.2 million in 2014. The Clerk remits tax payments to the Town for its share of the tax levy, plus penalties and interest, and remits the balance of the taxes collected to the County. At the end of the collection period, the Clerk is required by New York State Real Property Tax Law to reconcile the tax roll with the amount collected and the amount remaining unpaid and settle with the County Treasurer. At the time of settlement, the Clerk must account for the taxes collected, amounts remitted to the Supervisor, amounts previously remitted to the County Treasurer, any adjustments to the tax roll and the taxes that remain unpaid. Unpaid taxes are returned to the County Treasurer for collection and enforcement proceedings.

In February 2014, two Town Board members, with the assistance of an independent auditor, performed an audit of the Town Clerk's records for the 2013 fiscal year. The Board identified various deficiencies in the Clerk's records and requested that the State Comptroller conduct an audit of the Clerk's Office.

² The Clerk served through October 2014.

Objective

The objective of our audit was to review 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, 2013 through April 30, 2014. We extended our scope to review tax collection deposits through June 30, 2014.

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 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 agreed with our recommendations and indicated they have initiated 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 Clerk's office.

Town Clerk Operations

The Clerk is responsible for receiving, recording, depositing, disbursing and reporting all moneys collected in an accurate and timely manner. This requires maintaining accurate and complete records and reports, issuing and retaining duplicate receipts to support moneys collected, ensuring that moneys received are physically secure, promptly depositing moneys received into the Clerk's bank accounts and disbursing those moneys to the appropriate entities.

The Clerk did not always record, deposit, disburse and report all moneys collected in a timely and accurate manner. The Clerk recorded cash receipts received in the accounting system but did not compare the collections to bank deposits, which would have identified more than \$10,000 in tax moneys and \$1,030 in Clerk fees that were deposited but not recorded. As a result of neglecting to record the \$10,000 in tax collections, the Clerk incorrectly issued delinquent tax notices to six taxpayers and sent one of these taxpayers' accounts to the County for enforcement. In addition, the Clerk did not perform any bank reconciliations or monthly accountabilities. Consequently, the Clerk was unable to account for approximately \$5,029 remaining in the tax collector bank account after the 2014 tax settlement. Although we were able to identify the source of \$4,054 of these funds, the Clerk's cash exceeded known liabilities by \$975 as of June 30, 2014. Also, the Clerk did not always deposit moneys in a timely manner or adequately secure cash collected prior to deposit.

Records and Reconciliations

The Clerk is accountable for all moneys collected by her office and must accurately record all collections in the tax accounting system (tax system) and Clerk's accounting records in a timely manner. To ensure that all cash receipts are properly recorded and deposited, the Clerk should retain supporting documentation for all financial transactions. When there is no other evidence of collection,³ the Clerk should issue a duplicate receipt⁴ to individuals and retain a copy to provide evidence that the transactions occurred. The Clerk should use these source documents to update the records and verify that the source documents agree with batch reports (for tax collections) or cash reports (for Clerk fees) and the related bank deposits. On a monthly basis, the Clerk should reconcile all bank accounts and perform an accountability analysis by comparing cash on hand and on

³ For example, tax remittance stubs or duplicate copies of dog licenses retained on file by the Clerk

⁴ A duplicate receipt has more than one copy associated with each single receipt issued: one receipt issued may be given to the payer and the other is retained by the payee.

deposit in the bank to a detailed list of liabilities, including amounts due to various State and local agencies, to ensure that all Clerk fees are identified and properly accounted for.

Tax Collections – When receiving property tax payments, the Clerk did not retain source documents, such as tax remittance stubs, to support the payments received and did not always issue a duplicate receipt for tax collections. The Clerk told us that she sometimes issued receipts, but not on a regular basis. In addition, the Clerk did not perform monthly bank reconciliations for the tax bank account or compare source documents to batch reports and the related deposits to determine whether the tax collection amounts were properly recorded in the tax system and deposited in the tax bank account. When the Clerk received the monthly bank statements for the tax bank account, she adjusted her book balance in the records to match the tax bank balance without determining why adjustments were needed. The Clerk told us she did not know how to perform a bank reconciliation.

The Clerk also did not record all tax payments received in the accounting system. During our review of tax collection deposits in February 2013 and January 2014, we found payments totaling \$10,329 that had been deposited in the bank in January 2014, but not recorded in the tax system. This occurred because the Clerk initially failed to apply payments to 11 tax accounts that belonged to six individuals. During our fieldwork, the Clerk was able to identify five of the six taxpayers who had paid property taxes totaling \$9,255 only because they contacted her when they received delinquent notices. The Clerk told us that, unless these taxpayers contacted her, she would not have known their payments had not been recorded. By reviewing deposit compositions, we were able to identify the taxpayer who paid the remaining \$1,074 that the Clerk had not recorded in the tax system. However, the Clerk had improperly included this \$1,074 property tax payment on the unpaid list she sent to the County for enforcement.

In addition, the Clerk did not accurately record tax payments in taxpayers' accounts. Instead of recording actual payment amounts in each taxpayer's account, which the tax system would have allowed, she entered the amount of tax due on the account. When taxpayers paid more than the amount currently due on their accounts, the Clerk would deposit the total amounts paid, record the tax due on their accounts to show a zero balance remaining and issue a refund to the taxpayers for the amounts overpaid. We reviewed the manual check register and found that the Clerk had issued refunds totaling \$917 to taxpayers in 2013 and \$2,047 in 2014. Because the Clerk did not retain any source documents or other information to support the actual payment amounts, the Clerk could not determine the amounts

that taxpayers actually paid, the reasons she refunded tax payments or whether taxpayers were paying or being refunded the correct amounts.

We performed a bank reconciliation for the tax bank account and accountability analysis for tax collections as of June 30, 2014 and found that the adjusted bank account balance equaled \$5,029 after settling with the County.⁵ The Clerk was unable to identify the funds in this balance and told us she usually wrote a check to the Supervisor to remit any remaining funds in her tax bank account after the tax collection period ended. She believed the ending cash balance included unremitted penalties collected for late payment, but she did not compare the amount in the account with the recorded penalties to determine whether they agree.

We determined that the Clerk's recorded interest, penalties and second-notice fees⁶ totaling \$2,980 and the unrecorded tax payment of \$1,074 constituted most of the balance. However, we could not identify the remaining \$975 in the bank account. The Clerk's failure to perform monthly bank reconciliations, retain source documents and compare batch reports to deposits resulted in discrepancies that were not detected and corrected in a timely manner and an unidentified balance in the tax account.

Clerk Fees – The Clerk receives moneys for permits, inspections and telecommunication fees from the code enforcement officer (CEO) and receives other Clerk fees⁷ and property tax collections in the Clerk's drop box, through the mail or in person. The Clerk did not issue duplicate receipts for cash collections received from the CEO or retain copies of issued dog licenses as a receipt for payments made. Although the Clerk entered receipts into the accounting system, she did not print cash reports showing the recorded receipts and did not compare the recorded receipts with bank deposits to determine whether they agreed.⁸ There was no clear trail of documents to track transactions from the source documents (e.g., duplicate receipts) to the monthly cash reports⁹ and, ultimately, to bank deposits. As a result, the Clerk and Town officials cannot be assured of the accuracy of the Clerk's accounting records or that all cash collected has been deposited in the Clerk's bank accounts.

⁵ After the Clerk has settled with the County, there should be no further activity and the Clerk's tax bank account should have a zero balance, unless the bank requires a minimum amount to be held in the account.

⁶ Fee assessed when a second notice is generated and sent to the taxpayer for non-payment

⁷ Other fees include those for marriage and dog licenses and certified death and birth certificates.

⁸ The Clerk printed the cash reports for our review during the audit.

⁹ Summary monthly reports of all cash transactions recorded by the Clerk into the Town's accounting records

The Clerk did not always record all cash collections in the Clerk's office records. For our audit period, we compared the monthly bank deposits to the monthly cash reports to the total cash receipts collected as indicated in the monthly reports that the Clerk submitted to the Supervisor (Clerk reports). Although these three amounts should have matched, total bank deposits (\$15,786) exceeded the total amount recorded in the monthly cash reports (\$14,757) by \$1,029 and the total amounts reported to the Supervisor (\$15,513) by \$273. This indicates that the Clerk deposited moneys in the bank but did not properly record these collections in the accounting system and/or report them to the Supervisor.

We identified recording errors in the accounting system that resulted in these differences. For example, the Clerk received a \$700 telecommunication fee from the CEO, reported it to the Supervisor in the December 2013 Clerk report and deposited it in the bank but did not record it in the accounting records. In addition, the CEO recorded \$122 in permit fees, but the Clerk did not record them in the accounting records or report them to the Supervisor in the Clerk reports. Because the Clerk did not issue duplicate receipts to the CEO to document the transfer of money, it was not clear if the Clerk ever received the \$122 in permit fees from the CEO to deposit them.¹⁰ The Clerk could not explain the reasons for these differences. Because the Clerk did not maintain adequate and accurate records to document transactions from the point of collection to deposit, the Town has an increased risk that moneys could be received and not deposited and remain undetected.

The Clerk also did not perform monthly bank reconciliations for the Clerk's bank account or an accountability analysis of cash balances to liabilities for the Clerk's office records. As with the tax bank account, when she received the monthly bank statements for the Clerk's bank account, she adjusted the accounting records to match the bank statement balance without determining why adjustments were needed. We performed a bank reconciliation and accountability analysis as of April 25, 2014¹¹ and found that the Clerk's cash in the bank exceeded liabilities by \$15.¹² The Clerk's failure to reconcile bank accounts and liabilities increases the risk that errors or irregularities could occur and not be detected by the Clerk and other Town officials in a timely manner.

¹⁰ We were able to trace the remaining permit fees totaling \$5,485 that were collected by the CEO during our audit period from the CEO's records to the Clerk's records.

¹¹ The day that we began our fieldwork and performed a cash count

¹² We adjusted the Clerk's accountability for various errors identified during our testing.

Deposits and Remittances

Various laws set forth the legal requirements the Clerk must follow when depositing and remitting taxes and Clerk fees. A well-designed system of internal controls helps ensure that the Clerk accurately records when payments are received to document whether tax payments and Clerk fees are made and deposited in a timely manner. It is important for the Clerk to verify the accuracy of financial records and establish control over cash by maintaining a copy of remittance stubs or duplicate receipts to support payments received. New York State Town Law requires the Clerk to deposit all real property tax moneys collected within 24 hours of receipt, remit tax collections to the Supervisor at least once each week until the Town's tax levy is satisfied and remit all residual tax collections to the County Treasurer by the 15th of each month following their receipt. Interest and penalties should be remitted to the Supervisor no later than the 15th day of each month following receipt. Town Law also requires the Clerk to deposit all Clerk fees received no later than three business days after the total exceeds \$250.

Deposits – When receiving property tax payments, the Clerk recorded the payment date and type of payment (i.e., cash or check) in the tax system. However, she did not retain the remittance stubs or duplicate receipts as source documents to support the tax payments received. As a result, the Clerk could not provide us with any source documents to compare to the payment dates and types of payment that she recorded in the tax system. This was problematic because the Clerk also often recorded the date she entered the payment into the tax system as the receipt date, instead of the date the moneys were actually collected. Therefore, the Clerk and Town officials were unable to determine whether taxpayers had paid their taxes in a timely manner or whether the Clerk deposited all tax payments received on a timely basis.

We reviewed all tax collection deposits made in February 2013 (\$633,554) and January 2014 (\$1.2 million)¹³ to determine if the Clerk deposited these cash receipts in a timely manner. We compared the dates that the Clerk deposited the cash receipts in the bank to the dates that the payments were received, which the Clerk had recorded in the computerized tax system, and found that for the February 2013 tax collections the Clerk deposited receipts totaling \$270,451 (43 percent) an average of six days later than they should have been deposited.

For the tax receipts collected in January 2014, we found that the Clerk generally deposited tax receipts in a timely manner based on the receipt dates that she had entered in the tax system. However, because the Clerk may not have recorded the actual dates that she had received the cash receipts and did not retain any source documents,

¹³ Refer to Appendix B for further information on this sample selection.

it is possible that the deposits we reviewed may have been less timely than indicated. When moneys are collected but not recorded or deposited in a timely manner, the Town has an increased risk that cash collections could be used for inappropriate purposes.

For cash collections in the Clerk's office during our audit period, we found that the Clerk generally deposited cash receipts in a timely manner. Because the Clerk did not issue duplicate receipts for payments or retain other source documents, there was no clear audit trail from source documents to the accounting records to the bank deposits. As a result, Town officials are unable to identify the individual receipts included in each deposit or verify that all receipts were deposited in a timely manner. We obtained deposit compositions from the bank for all deposits (\$2,776) made from January 1, 2014 through April 30, 2014 and compared them with the monthly cash reports. Based on the recorded receipt dates, we did not find any significant exceptions regarding the timeliness of the deposits. However, this does not diminish the need for the Clerk to maintain duplicate receipts and ensure there is a clear audit trail from receipts to deposits.

Remittances – The Clerk did not always remit all tax receipts to the County by the 15th of the month following their collection. Also, while the Clerk made timely remittances of tax moneys to the Supervisor, she did not remit interest, penalties and second-notice fees to the Supervisor in a timely manner.

During our review of all tax collection deposits made in February 2013 and January 2014, we found that the Clerk did not remit February 2013 collections to the County until March 27, 12 days past the due date.¹⁴ Also in 2013, the Clerk did not remit interest, penalties and second-notice fees totaling \$3,391¹⁵ to the Supervisor until November 2013, which was five months after she had settled with the County.

For the 2014 tax collection, the Clerk recorded collections of about \$347,000 in February 2014, but did not write a remittance check to the County until March 24, 2014, nine days after the due date of March 15. Furthermore, although the Clerk recorded tax collections totaling \$213,665 in April and May 2014, she did not remit these moneys to the County until June 20, 2014. As of the end of our fieldwork,¹⁶

¹⁴ We determined that this payment was late because the Clerk had made an error when entering a tax collection deposit in her records that led her to believe she had funds available in her tax bank account to cover a check she wrote to the County. The Clerk initially wrote a check for \$310,000 to the County on March 1, but the check was returned for insufficient funds.

¹⁵ In addition to the \$3,391, the Clerk also remitted \$215 in unidentified moneys to the Supervisor to “zero out” (show a zero balance on) her tax bank account.

¹⁶ August 19, 2014

the Clerk had not remitted to the Supervisor any of the \$2,979 in recorded interest and penalties collected for 2014.

The Clerk told us she was unaware of the legal remittance requirement. Because the Clerk did not remit collections in a timely manner, the Town has an increased risk that collections could be used for inappropriate purposes without detection.

Physical Security

The Clerk is responsible for ensuring that assets in her custody are physically secured and preventing unauthorized access to assets. Undeposited cash must be secured in a vault or other locked storage location until deposited in the bank. Access to the vault or other storage location must be restricted.

The Clerk did not properly secure all moneys prior to deposit. During our fieldwork, we observed moneys stored in various places, such as in an unlocked drawer in her office and an organizer located on her desk. We also observed that the organizer was not always placed in the vault on a daily basis and was readily accessible to anyone who had access to her office. In addition, the Clerk's office was not always locked when she was away from her desk and was accessible to the public. When cash is not properly secured, the Town has an increased risk that cash assets may be lost or misused.

Recommendations

The Clerk should:

1. Issue and retain duplicate receipts for all cash collections where no other evidence of receipt exists.
2. Record the payment date and type of payment (i.e., cash or check) on tax remittance stubs or duplicate receipts and retain these source documents to support the payments received.
3. Record tax payments in the amount received and properly document overpayments to fully support refunds issued.
4. Contact the County Treasurer to resolve the \$1,074 property tax payment that was received and deposited but reported to the County as unpaid.
5. Record all cash collections received in the Clerk's office records.
6. Print cash reports for Clerk fees collected to document the individual receipts that constitute each deposit.

7. Compare duplicate receipts or other source documents to cash receipt records (batch reports and monthly cash reports) to the related deposits to ensure they agree. Any differences should be promptly investigated and resolved.
8. Prepare monthly bank reconciliations and accountabilities to reconcile known liabilities to available cash. Any differences should be promptly investigated and resolved.
9. Record the dates that tax payments are received in the tax accounting records and ensure that the dates received in the accounting records correspond to the dates of collection or postmark dates for mailed payments.
10. Deposit all moneys in the bank in a timely manner.
11. Remit all collections to the Supervisor, County and other agencies in compliance with statutory requirements.
12. Ensure that all moneys are physically secured until deposited.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

Town of Hammond
17 North Main Street
PO Box 219
Hammond, New York 13646

Ron Bertram – Town Supervisor
Howard Demick – Councilman
James Pitcher – Councilman
Doug Delosh – Councilman
James Tague – Councilman
Pamela Burton – Town Clerk

March 12, 2015

Office of the State Comptroller;

We, the Board of the Town of Hammond, wish to thank the comptroller's office for the courteous and professional approach to your audit of the Town Clerk Operations. The town board had very limited knowledge of the proper procedures and operations of the Town clerk's office and this audit has been very helpful in advising us of the correct protocols to be implemented.

We are in agreement with the findings of this audit and are working with the present clerk to correct many deficient procedures in that office and to provide better board oversight in the future. Although we started to implement policies prior to this audit the untimely death of our town clerk in October 2014 and the prior unwillingness by the clerk to train the deputy clerk has left many questions unanswered. We are attempting to work closely with the appointed clerk and implement the correct procedures of the office, many of which were noted in your audit.

We have been arranging for the present clerk to take training classes and to educate ourselves in the workings of the clerk's office so that the workings of the office can be brought up to expected standards. We are presently working on a corrective action plan and will be submitting that in the future.

Again thank you for your input and the professionalism of your staff members.

Sincerely,

Ronald Bertram, Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of this audit was to review the processes and procedures of the Clerk's office and assess whether moneys were properly accounted for during the period January 1, 2013 through April 30, 2014. We extended our scope to review tax collection deposits through June 30, 2014.

To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed the Clerk and selected Town officials. We reviewed various financial records and reports related to the Clerk's financial activities to gain an understanding of the Clerk's office's internal controls over the collection, recording, depositing, disbursing, reconciling and reporting of Clerk fees and real property taxes and any associated effects of deficiencies found in those controls.
- We compared the accounting records to the bank statements for our entire audit period and followed up on discrepancies identified.
- We reviewed all tax deposits made in February 2013 and January 2014 to ensure that moneys recorded were deposited. We chose these two months because they contained the largest dollar amounts of tax payments collected during our audit period. We also reviewed deposit compositions for these two months to ensure that all moneys collected were deposited intact, in a timely manner and in compliance with statutory requirements.
- We reviewed interest and penalties collected for reasonableness and to determine whether all moneys collected were turned over to the Supervisor at the end of the tax collection period.
- We reviewed the County tax settlement/accountability statement to determine whether the taxes collected in 2013 and 2014 agreed to the deposits, adjusted for any warrant adjustments and unpaid taxes.
- We performed a cash count of the Clerk's office on April 25, 2014 to establish the amount of cash and checks on hand since the last bank deposit for comparison to the Clerk's cash receipt records.
- We performed a bank reconciliation and an accountability analysis of the Clerk's bank accounts as of April 25, 2014 and the tax collection account as of June 30, 2014 to determine if there were any differences between the available cash and known liabilities. We then investigated and attempted to resolve any differences that were disclosed.
- We obtained a log of cash receipts from the CEO and traced the receipts to the Clerk's records and bank deposits (when possible) to determine if the Clerk recorded, deposited and remitted the receipts accurately and in a timely manner.

- We reviewed payments made to the Supervisor, the County and other State agencies to determine if they were remitted accurately and in a timely manner.
- We obtained bank deposit compositions for deposits made from January 1 through April 30, 2014 and compared the cash receipts deposited with those recorded in the Clerk's office records to ensure that all moneys recorded were deposited and that all moneys deposited were recorded. We also determined if all moneys recorded as being collected were deposited intact, in a timely manner and in compliance with statutory requirements. We chose these four months because they represented the most current information on deposits in our audit period.
- We physically inspected the location of collections prior to deposit to determine if they were safeguarded and accessible to only authorized officials.

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 objective.

APPENDIX C

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Gabriel F. Deyo, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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