



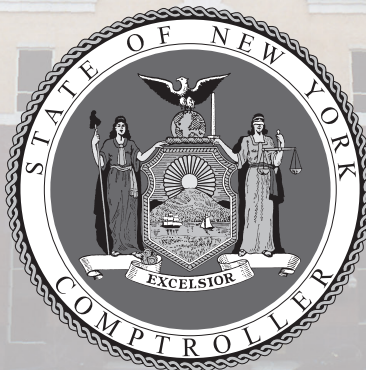
Town of Greenport Town Clerk Operations

Report of Examination

Period Covered:

January 1, 2015 — September 23, 2016

2017M-3



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2017

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 Greenport, 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*

Introduction

Background

The Town of Greenport (Town) is located in Columbia County (County) and has a population of approximately 4,200. The Town is governed by the Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general management and control of the Town's financial affairs. In addition to being a member of the Board, the Supervisor also serves as the Town's chief fiscal officer.

The Town provides various services for its residents including general government support, street/road maintenance, police, water, sewer, recreation and refuse collection. These services are financed primarily with real property taxes, water and sewer rents and sales tax. The Town's budgeted expenditures were \$4.63 million for fiscal year 2015 and \$4.87 million for 2016.

The Town Clerk (Clerk) is an elected position, whose responsibilities include collecting moneys from the sale of dog, hunting, fishing and marriage licenses, birth and death certificates, garbage bags and fees for certified copies and other miscellaneous items. The Clerk must record all moneys received into the accounting records and remit them to the appropriate entities, including the Supervisor, the New York State Department of Agriculture and Markets and the New York State Department of Health. The Clerk receives and records fees from building permits, accident reports and site plan reviews, initially received by the Building Department, Police Department and Planning Board, and remits them to the Supervisor on a monthly basis. The Clerk has a Deputy Clerk who helps with the sales, collections, and recording of receipts. The receipts collected by the Clerk's office during our audit period totaled approximately \$398,000.

Objective

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

- Are internal controls over the Town Clerk's operations appropriately designed and operating effectively?

Scope and Methodology

We examined the records and reports of the Clerk's office for the period January 1, 2015 through September 23, 2016.

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. Unless otherwise indicated in

this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**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 recommendations and indicated that they have initiated, or plan 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 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 maintaining complete and accurate accounting records for all moneys collected and for disbursing them to the appropriate parties in a timely manner. Good internal controls over the Clerk's operations should include written policies and procedures, up-to-date bank reconciliations and an annual audit of the Clerk's records. Performing a monthly bank reconciliation helps the Clerk to verify the accuracy of financial records in a timely manner. It is the Board's responsibility to provide adequate oversight of the Clerk's operation and to audit, or cause to be audited, the Clerk's books and records on an annual basis. In addition, Town officials should establish internal controls over the purchase and sale of Town garbage bags.

Internal controls over the Clerk's office operations need to be improved. The Clerk did not have guidance that required her to issue duplicate receipts when receiving moneys or to perform monthly bank reconciliations. The Clerk did not issue press-numbered duplicate receipts for all transactions and did not perform monthly bank reconciliations. Furthermore, the Clerk did not submit a monthly report of all moneys received and disbursed to the Supervisor and did not make disbursements to the Supervisor and State agencies in a timely manner. The Board did not provide adequate oversight of the Clerk's financial activities and did not provide for an annual audit of her records. Finally, Town officials have not implemented policies and procedures for the sale of Town garbage bags and the Clerk does not maintain an inventory record of them; therefore, there is no assurance that all garbage bags are properly accounted for.

Duplicate Receipts

It is essential for the Clerk to use press-numbered duplicate receipts that indicate the payer, date, purpose and type of payment received (i.e., cash or check). One copy of the duplicate receipt should be provided to the payer and the other retained by the Clerk. The receipts and other supporting documentation help to ensure that transactions entered in the accounting records are accurate and traceable from the point of collection to the monthly reports and bank deposits.

The Clerk and Deputy Clerk did not always issue press-numbered duplicate receipts for moneys collected by the Clerk's office. For the two months¹ reviewed, they collected approximately \$21,000 and did

¹ We used a random sampling method to select two months for testing of the Clerk's records: November 2015 and April 2016.

not issue receipts for approximately \$12,000 in cash transactions.² The Clerk stated that a receipt is issued only when the individual making the payment requests one.

Without press-numbered duplicate receipts, there is no documentation to support individual collections to determine whether the Clerk and Deputy Clerk correctly entered all transactions into the accounting records, or to enable Town officials to perform a periodic comparison of these transactions from the point of collection through the accounting records, to bank deposits and to related reports.

Bank Reconciliations

Bank reconciliations enable Town officials to determine whether cash transactions have been properly recorded and accounting records are accurate. When reconciliations are performed in a timely manner, they can help ensure that errors and irregularities are detected and corrected. The Clerk is responsible for reconciling her Town account with the monthly bank statements.

During our audit period the Clerk did not perform any monthly bank reconciliations for the Town's Clerk account. The Clerk told us that she has not performed a complete bank reconciliation since July 2013 due to lack of time. Instead, she records the interest and verifies that the withdrawals are accurate. The failure to prepare bank reconciliations deprives the Clerk of a valuable tool necessary to ensure that all Clerk cash assets are accounted for. As a result, errors and irregularities could occur and go undetected and uncorrected.

Remittances and Monthly Reports

Moneys received by the Clerk are the property of the Town or State and the Clerk should remit these moneys to the appropriate parties promptly. New York State Town Law requires the Clerk to submit to the Supervisor a monthly statement of all moneys received and remit such moneys to the Supervisor on or before the fifteenth of the month following receipt. In addition, the Clerk must also report and remit collections to State agencies.³ Complete and accurate monthly reports provide financial information to the Supervisor and the Board of the moneys handled by the Clerk.

The Clerk did not submit the monthly reports of all money received to the Supervisor and State agencies in a timely manner. For the two months reviewed, the Clerk submitted the monthly reports and

² Fees for dog, fishing/hunting and marriage licenses; certified copies; and various services and documents provided by the Building Department, Police Department and Planning Board

³ Remittances due to the New York State Department of Agriculture and Markets are due on or before the fifth day of each month (NYS Agriculture and Markets Law) and to the New York State Department of Health on or before the fifteenth day of each month (NYS Domestic Relations Law).

remitted the money to the Supervisor 16 days after the due date. In addition, the disbursement to the Department of Agriculture and Markets was remitted six to 18 days late and to the Department of Health eight days late.

Board Oversight

Town Law requires the Board to annually audit, or cause to be audited, the records of all individuals who receive or disburse moneys on behalf of the Town. This audit of the Clerk's operations should be thorough, and, when done properly, it can enable Board members to provide effective oversight. This oversight is especially important when the same individual, such as the Clerk, is responsible for processing transactions (i.e., receiving, recording, reporting and remitting moneys). The purpose of the annual audit is to help provide assurance that financial records are complete and up-to-date, transactions are recorded properly, accountability is computed monthly and required reports are timely and accurate.

The Board did not provide adequate oversight of the Clerk's financial activities because it did not conduct or provide for an annual audit of the Clerk's records. As a result, without adequate auditing of the Clerk's operations, errors or irregularities could occur and go undetected.

Garbage Bags

The sale of garbage bags by the Clerk's office generates revenue for the Town. It is important that Town officials establish internal controls over the purchase, safeguarding and sale of garbage bags. Written policies and procedures help establish responsibility and direction for these activities. To establish accountability, the Clerk should maintain sufficient records of related financial transactions and an inventory record that accounts for bags purchased, sold and on hand. Periodically, the garbage bag inventory records should be reconciled to actual garbage bags on hand, and any differences should be investigated and resolved.

Town officials have not implemented policies or procedures for the sale of garbage bags and the Clerk does not maintain an inventory record of them. During our audit period, the Town sold over \$70,000 in Town garbage bags; however, without a beginning and ending inventory, there is no guarantee that all bags are accounted for. The Clerk's office also sells garbage bags for the County, for which the Clerk maintains an inventory.

The lack of policies and procedures for Town garbage bag sales and the lack of inventory records could result in errors and irregularities in the accounting for garbage bags and sales revenue.

Recommendations

The Clerk should:

1. Issue press-numbered duplicate receipts for all moneys collected.
2. Perform monthly bank reconciliations.
3. Submit to the Supervisor a monthly statement of all moneys received and remit such moneys to the Supervisor and State agencies in a timely manner as required by law.
4. Maintain an inventory of Town garbage bags and periodically reconcile the physical quantity of garbage bags to the inventory record.

The Board should:

5. Establish policies and procedures for the sale of Town garbage bags.
6. Periodically review the Clerk's operations and conduct or provide for an annual audit of the Clerk's records.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



TOWN OF GREENPORT

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Edward F. Nabozny
Supervisor

Sharon Zempko
Town Clerk

March 16, 2017

Tenneh Blamah, Chief Examiner
Division of Local Government and
School Accountability
Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, New York 12553

Re: Response to Draft Audit Report
Town of Greenport Town Clerk Operations
2017M-3

Dear Chief Examiner Blamah:

Please consider this letter the Town of Greenport's written response to the Office of the State Comptroller's preliminary draft findings of its audit of the Town of Greenport, Town Clerk Operations, dated February 16, 2017. I have reviewed the draft report and confirm that the facts on which you have relied in preparing the findings are accurate.

The Town has already taken steps to implement corrective action to address the audit recommendations. After the final audit report has been issued, the Town looks forward to fully addressing the audit recommendations in its Corrective Action Plan, which is to be approved by the Town Board.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

Edward F. Nabozny
Town of Greenport Supervisor

cc: Town Board Members
Sharon Zempko, Town Clerk
Councilmen
Clayton Clark/Keith Mortefolio/Guy Apicella
Councilwoman
Michelle Ublacher

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed appropriate Town officials to gain an understanding of the internal controls relating to the Clerk's financial operations including bank reconciliations and sale of Town and County garbage bags.
- We used a random sampling method to select two months for testing of the Clerk's records. The selected months were November 2015 and April 2016.
- For November 2015 and April 2016, we reviewed daily cash reports, duplicate cash receipts and various transaction documentation (i.e., daily sales reports, dog license forms, marriage licenses and Building Department files/receipt log) for support for the transactions (i.e., amounts due and collected).
- We reviewed the Clerk's monthly reports, bank statements, and disbursements of the moneys collected during November 2015 and April 2016 to determine whether reports were provided and disbursements were remitted in a timely manner to the Supervisor and State agencies. Also, we determined whether these disbursements agreed with the State, County and local amounts as listed on Clerk's monthly reports.
- We interviewed the Supervisor to determine whether the Board conducts an audit of the Clerk's books and records on an annual basis.
- We reviewed the Clerk's monthly report for our audit period to determine the amount collected for Town garbage bag fees.

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.

APPENDIX C

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