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June 7, 2013

Mr. Ted Lucki, Mayor
Members of the Board of the Village of Belle Terre
Village of Belle Terre
1 Cliff Road
Belle Terre, NY 11777

Report Number: 2013M-87

Dear Mr. Lucki and Members of the Board:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery, and to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Village of Belle Terre which addressed the following question:

- Does the Village Board adequately audit claims?

The results of our audit have been discussed with Village officials and their comments, which appear in Appendix A, have been considered when preparing this report. Our one comment on the Village's response is in Appendix B.

Background and Methodology

The Village of Belle Terre (Village) is located in the Town of Brookhaven in Suffolk County. The Village covers approximately one square mile and has a population of approximately 800. The Village provides various services to its residents, including general support, public safety, health, transportation, culture and recreation, and home and community services. The expenditures to provide these services are accounted for in the general fund. The Village's operating expenditures for the fiscal year ended May 31, 2012, were \$995,825, which were funded primarily with real property taxes.

The Village is governed by a Board of Trustees (Board), which comprises three elected Trustees, the elected Mayor, and elected Deputy Mayor. The Board is responsible for the general oversight of the Village's operations. The Mayor is the Village's chief executive officer and is responsible for the daily management of the staff and operations under the Board's direction. The Village Clerk/Treasurer (Clerk/Treasurer) is

responsible for receiving and maintaining custody of Village funds, disbursing and accounting for those funds, preparing the monthly Treasurer's reports, and meeting any other reporting requirements.

We examined the internal controls over the Village's financial operations for the period June 1, 2011, to December 31, 2012. We interviewed appropriate Village officials, Board members, and other key employees, and reviewed financial records and Board minutes. We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Audit Results

The audit and approval of claims is one of the most critical elements of the Village's internal control system. To ensure that disbursements are for valid Village expenses, and that goods or services have actually been received, claims must be audited and approved prior to payment.¹ Village Law requires the Board to audit all claims against the Village unless it has established the office of claims auditor. An effective audit of claims is often the last line of defense for preventing unauthorized, improper, or fraudulent claims from being paid.

Generally, the Board conducts a thorough and deliberate audit of claims before payments are authorized to ensure that Village funds are being spent efficiently. Once the Board is satisfied that the claim is a legal obligation and proper charge against the Village, the Board members initial or sign each claim to indicate their approval. The Board minutes include the claims that have been audited and whether they were allowed or disallowed, in whole or in part. Once the Board has audited and approved the claims, the Mayor signs the abstract that lists all approved claims, which is then forwarded to the Clerk/Treasurer for payment.

Even though the Board appeared to be properly auditing claims, there is a certain level of inherent risk that exists with the audit and payment of claims. Due to this risk, we selected November 2012 as a month representative of the audit period and reviewed all 45 claims, totaling \$45,529.² Generally, we found that claims were presented in a uniform and organized manner and properly recorded and supported with appropriate documentation. The Board members initialed all claims to signify their review and approval for payment, and the Mayor signed all abstracts. Our examination revealed only minor deficiencies, which we discussed with Village officials.

Sincerely,

Andrew A. SanFilippo
Executive Deputy Comptroller
Office of State and Local Government
Accountability

¹ The Board may, by resolution, authorize payment in advance of audit for claims for public utility services (electric, gas, water, sewer, and telephone), postage, freight, and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

² The Village paid 815 claims, totaling approximately \$1.8 million, during our 19-month audit period.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

TED LUCKI, MAYOR
SHEILA KNAPP, DEPUTY MAYOR
ROBERT SANDAK, TRUSTEE
GRANT T. GEELAN, TRUSTEE
MICHAEL SAMPOGNA, TRUSTEE



**INCORPORATED VILLAGE
OF BELLE TERRE**
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May 30, 2013

Ira McCracken, Chief Examiner
NYS OSC Div. of Local Gov't. & School Accountability
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

The Mayor and Trustees of the Incorporated Village of Belle Terre have always taken their fiduciary responsibilities very seriously. We are a very small Village with only 300 homes, and therefore, feel a very personal relationship with each resident family. We endeavor to provide them with the highest degree of Village services for the least possible cost. As part of that strategy we have always tried to stay current with, and abide by all of the principles set forth in the NYS General Municipal Law having to do with purchasing and financial oversight.

We found it very gratifying to work with the Audit Team in discussing our basic philosophy and the specific procedures that we have put in place to guarantee compliance with that philosophy. The audit team was incredibly knowledgeable about our Village, its history, its finances and its relationship to other governmental entities such as the Town, County, Fire and Ambulance Districts, etc. Their questions were insightful and thought provoking and tended to help us focus on helping them understand more about us. It was truly a pleasure working with them at each meeting.

As contained in your mission statement, the recently completed audit focused on the following question: Does the Village adequately audit claims?

The audit team examined the internal controls over the Village's financial operations for the period June 1, 2011 to December 31, 2012. The audit team stated that even though the Mayor and Trustees appeared to be properly auditing claims, there is a certain level of inherent risk that exists with this process. Therefore, the audit team selected November 2012 as a month representative of the audit period and reviewed all 45 claims totaling \$45,529. The audit team found that all the claims were presented in a uniform and organized manner and properly recorded and supported with appropriate documentation. The Mayor and Trustees had initialed all claims to signify their review and approval for payment, and the Mayor signed all abstracts.

Beyond this in depth examination, the audit team made five general observations that were both insightful and helpful to our staff.

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First, it was noted that we no longer get cancelled checks from the bank, only a print out of the front of each check. The audit team suggested that we get a printout of the back as well, in order to check endorsements. We have contacted the bank manager and have arranged for that to be done.

Second, the audit team suggested that a motion be made at the annual organizational meeting granting the approval of utility bills and any other bills that come due prior to regular board meetings. That will be done at our meeting in July.

Third, the audit team noticed that blank checks were kept in a box under the printer and that the box was sometimes uncovered. Although this area is off limits to outsiders, we will keep the unused checks in a locked file cabinet (we have no vault) from now on in order to protect them.

Fourth, the audit team noted that the Village had no formal purchasing policy when the audit began. However the Village Board was in the process of adopting one, which was accomplished before the audit was completed.

Fifth, the audit team suggested more frequent back up of the Village's computer files. In response the staff has implemented a more robust file backup protocol.

In conclusion the Mayor and Trustees would like to thank the Office of the State Comptroller and the members of the audit team for their assistance and most especially, with the professionalism and courtesy extended to us and to our staff.

Yours truly,

Ted Lucki, Mayor

Cc: Board of Trustees

APPENDIX B

OSC COMMENT ON THE VILLAGE'S RESPONSE

Note 1

These minor deficiencies, while not specifically discussed in the report, were discussed with Village officials during the course of the audit.