



Village of Bellerose

Procurement and Cash Receipts

Report of Examination

Period Covered:

June 1, 2012 — December 31, 2013

2014M-218



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
Background	4
Objective	4
Scope and Methodology	4
Comments of Local Officials and Corrective Action	4
PROCUREMENT	6
Purchase Order Process	6
Competitive Quotes	8
Request for Proposals	9
Credit Card Purchases	10
Recommendations	12
CASH RECEIPTS	14
Recommendations	16
APPENDIX A Response From Local Officials	17
APPENDIX B Audit Methodology and Standards	20
APPENDIX C How to Obtain Additional Copies of the Report	22
APPENDIX D Local Regional Office Listing	23

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2014

Dear Village 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 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 Village of Bellerose, entitled Procurement and 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 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 Village of Bellerose (Village) is located in the Town of Hempstead in Nassau County. The Village has a population of approximately 1,200 and is governed by an elected Board of Trustees (Board), which consists of a Mayor and four Trustees. The Village Clerk-Treasurer (Treasurer) is the chief fiscal officer and custodian of Village funds and is responsible for maintaining a record of all receipts, expenditures and account balances and for collecting, disbursing and investing Village funds.

The Village provides residents with various services, including general administration, building code enforcement, fire protection, recreational services and a justice court. These services are funded primarily through real property taxes and departmental income. The Village's general fund expenditures totaled about \$1.4 million for the 2012-13 fiscal year, and its budgeted appropriations were \$1.5 million for the 2013-14 fiscal year.

Scope and Objective

The objective of our audit was to review the Village's procurement and cash receipts practices for the period June 1, 2012 through December 31, 2013. Our audit addressed the following related questions:

- Are the Village's procurement procedures appropriately designed to safeguard Village assets?
- Does the Board provide adequate oversight for cash receipts to properly safeguard Village assets?

Audit Results

The Village's procurement procedures need to be improved. Village officials do not require the use of a purchase order (PO) system when making purchases and do not enforce compliance with the Village's procurement policy guidelines. Employees are allowed to make purchases without prior approval and without documenting the purchase process. We reviewed 49 purchases totaling \$56,686 and found that they were made without purchase requisitions or POs, supporting documentation and prior approval by a Village official. In addition, the Board does not require the Treasurer to review purchases to determine whether funds are available prior to a purchase being made. Because the Village does not require the use of requisitions and POs or have a proper system for the approval of purchases, Village officials do not have any assurance that purchases are appropriate and necessary or that there are adequate moneys available to pay for the purchases.

Additionally, Village officials did not seek competition when purchasing goods and services that are not subject to bidding under New York State General Municipal Law, but according to the Village's

purchasing policy must be purchased using competition. We randomly selected 15 purchases totaling \$50,812 that required written or faxed quotes and found that the Village did not seek competition for 14 totaling \$49,194. The Village also did not solicit competition when procuring professional services from four vendors who the Village paid a combined total of \$48,893 during our audit period. Although the Village assigned credit cards to five Village officials and one employee, the Board did not adopt policies to govern the use of Village credit cards. We reviewed 34 credit card purchases totaling \$5,874 and found that the Board approved 17 totaling \$1,835 without sufficient documentation to support the validity of the purchases. Because the Village does not have policies and procedures to define proper credit card usage or ensure that its credit cards are authorized, it has an increased risk that it will pay for unauthorized items that are excessive or unrelated to Village business.

Finally, the Board needs to improve its oversight of the Village's cash receipts. The Treasurer has incompatible financial duties related to cash receipts, and the Board did not implement compensating controls to address the situation. No one reviewed the Treasurer's work or reconciled the duplicate receipts issued to the Village's accounting records or bank statements. We reviewed 50 receipts totaling \$15,671 and found discrepancies with 16 receipts totaling \$11,228. For example, nine receipts totaling \$10,698 were not recorded in the Village's duplicate receipts book. Because Village officials do not properly reconcile the duplicate receipts books to computerized records, amounts collected and receipted could differ from amounts recorded in the accounting system, thereby increasing the risk of error, loss or theft.

Comments of Local Officials

The results of our audit and recommendations have been discussed with Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they have taken, or plan to take, corrective action.

Introduction

Background

The Village of Bellerose (Village) is located in the Town of Hempstead in Nassau County. The Village has a population of approximately 1,200 and is governed by an elected Board of Trustees (Board) which consists of a Mayor and four Trustees. The Board is responsible for the Village's overall financial management, including establishing appropriate controls over financial operations. The Mayor is the Board's presiding officer and the Village's chief executive officer. The Mayor and other administrative staff are responsible for overseeing and managing the Village's daily operations. The Village Clerk-Treasurer (Treasurer) is the chief fiscal officer and custodian of Village funds and is responsible for maintaining a record of all receipts, expenditures and account balances and for collecting, disbursing and investing Village funds.

The Village provides residents with various services, including general administration, building code enforcement, fire protection, recreational activities and a justice court. These services are funded primarily through real property taxes and departmental income. The Village's 2012-13 expenditures totaled about \$1.4 million, and its budgeted appropriations for 2013-14 totaled \$1.5 million.

Objective

The objective of our audit was to review the Village's procurement and cash receipts practices for the period June 1, 2012 through December 31, 2013. Our audit addressed the following related questions:

- Are the Village's procurement procedures appropriately designed to safeguard Village assets?
- Does the Board provide adequate oversight for cash receipts to properly safeguard Village assets?

Scope and Methodology

We examined the Village's procurement and cash receipts operations for the period June 1, 2012 through December 31, 2013.

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 Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials

generally agreed with our recommendations and indicated they have taken, or plan to take, 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 New York State 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 (governing body) to make this plan available for public review in the Clerk's office.

Procurement

An effective procurement process helps the Village obtain services, materials, supplies and equipment of the right quality and quantity at the best price and in compliance with applicable laws and properly established Board requirements. Effective controls generally include the use of a purchase order system, which helps officials control expenditures by confirming that there are sufficient funds to pay claims and that purchases are properly authorized. New York State General Municipal Law (GML) requires local governments to adopt written policies and procedures for procuring goods and services that are not subject to competitive bidding requirements. Good business practices require the use of competition, such as obtaining verbal or written quotes from a number of potential vendors or using competition when selecting professional service providers, to ensure that procurement is not influenced by favoritism, extravagance or fraud. In addition, when the use of credit cards is allowed for procurement, it is the Board's responsibility to establish controls over their use to prevent unnecessary and improper payments. It is important that credit cards be used only for governmental business purposes and only by those to whom credit cards are issued.

The Village's procurement procedures need to be improved. Village officials do not require the use of requisitions and purchase orders when purchasing goods and services. Additionally, Village officials did not seek competition when purchasing goods and services that are not subject to bidding and when selecting professional service providers. Furthermore, the Board did not provide sufficient oversight of purchases made with the use of Village credit cards. As a result, the Village may have paid for purchases that are not valid Village expenses and that may have cost more than necessary.

Purchase Order Process

A purchase order (PO) serves as the source document for claims that are entered into the accounting system. A properly functioning PO system ensures that purchases are authorized and pre-approved and that adequate funds are available before a purchase is made. The PO also documents an authorized placement of an order to a vendor and, subsequently, provides a cross-reference to the vendor's invoice. To initiate a PO, the individual requesting a purchase submits a purchase requisition to the individual responsible for purchase authorization and approval. The purchase requisition form provides pre-approval accountability and a level of assurance that the requested items are needed and have been approved. Once the PO has received authorization and approval, a financial officer must verify that funds are available before the PO is sent to a vendor for goods or services.

Although the Village's procurement policy does not explicitly require the use of requisitions or purchase orders, it does require that every step taken in the procurement process be documented¹ and individuals who initiate purchases perform an initial review to determine the nature of the purchases² and whether they must be competitively bid. While these steps are similar to what a properly functioning purchase order system would accomplish, Village officials have not developed any procedures to ensure that Village staff comply with this requirement. For example, there are no procedures to define what should occur after the initial review of purchases has been completed, to require Village officials to authorize and approve purchases before they are made or to require officials to determine whether funds are available prior to purchase.

Village officials also do not enforce compliance with the Village's procurement policy guidelines. Employees are allowed to make purchases without prior approval and without documenting the purchase process starting at the requisition phase. In addition, the Board does not require the Treasurer to review purchases to determine whether funds are available prior to the purchases being made. After purchases are made and the goods or services are received, vendor bills are then submitted to the Treasurer and Deputy Clerk who initiate a Village claim. Village officials process and pay claims after the purchases are made and the goods or services are received without requiring adequate documentation of the purchases. This process does not allow Village officials to review and approve purchases prior to the placement of an order or request for service from a vendor.

The Village made purchases totaling \$2,118,676 during our audit period, and 188 purchases totaling \$237,867 were subject to quotes,³ either in the aggregate or individually. Of these purchases, we reviewed 49⁴ totaling \$56,686 and found that they were made without a requisition or PO, supporting documentation and prior approval by a Village official.

¹ According to the policy, depending on the type of purchase, Village staff must document their efforts to obtain quotes and must retain memos documenting emergency purchases or information regarding the decision-making process when determining that a purchase does not need to be bid.

² Purchase or public works

³ The Village's procurement policy indicates that purchase contracts for goods or public works ranging between \$1,500 and \$3,999 require two verbal quotes. Purchase contracts for goods ranging between \$4,000 and \$9,999 require either two written or faxed quotes or written responses to a request for proposals. Contracts for public works ranging between \$4,000 and \$5,999 require two written quotes and those between \$6,000 and \$19,999 require three written or faxed quotes or written responses to a request for proposals.

⁴ The 49 purchases included 15 totaling \$50,812 that required quotes and 34 totaling \$5,874 that were made with Village credit cards.

Because the Village does not require the use of requisitions and POs or have a proper system for the approval of purchases, Village officials do not have any assurance that purchases are appropriate and necessary or that there are adequate funds available to pay for the purchases.

Competitive Quotes

GML requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to statutory competitive bidding requirements. Such policies and procedures help ensure that procurement is not influenced by favoritism, extravagance or fraud. Village officials must consider the aggregate amounts reasonably expected to be expended for all purchases of the same commodity, service or technology to be made within a 12-month period when determining whether purchasing thresholds will be exceeded. The Board has adopted a procurement policy that outlines dollar thresholds for purchases requiring either verbal or written quotes and the circumstances where proposals or quotes are not required, such as documented emergency situations or purchases made under a State or county contract.

Village officials have not enforced the procurement policy's requirement of obtaining and documenting verbal or written quotes before purchasing goods or services whose costs exceed thresholds described in the policy. Also, the Board approved payments for purchases even though Village personnel did not obtain or provide documentation of quotes or of the rationale for not obtaining quotes, as required in the policy.

We randomly selected and reviewed 15 purchases totaling \$50,812⁵ that required written or faxed quotes and found that the Village did not seek competition for 14⁶ totaling \$49,194. Village officials could not provide us with any written documentation or acceptable rationale for not obtaining quotes for these purchases. For example, the Village paid \$9,900 for concrete related to the installation and repair of stormwater catch basins, but Village officials could not provide us with the rationale behind the selection of this vendor. In addition, the Village paid \$4,342 to a vendor for refilling fire extinguishers during the 2012-13 fiscal year. According to the Village's purchasing policy, Village staff should have obtained two written or faxed quotes before initiating this purchase. However, Village officials were unable to provide us with any documentation to indicate whether staff had obtained the required quotes from other vendors. Without the required documentation for these purchases, the Board would not

⁵ We selected the 15 purchases from the 188 purchases made during our audit period that were subject to quotes.

⁶ The remaining purchase was for landscaping services for which the Village obtained bids.

have been able to determine whether these services were procured at the best price.

Because the Board does not enforce compliance with the procurement policy, Village officials cannot be assured they are obtaining the best quality of goods and services at the most reasonable cost to taxpayers. In addition, without documentation supporting these efforts, the Board cannot effectively audit related claims.

Request for Proposals

GML requires that goods and services that are not required to be bid must be procured in a prudent and economical manner. The Board must adopt policies and procedures to indicate when Village officials need to seek competition for professional services through methods such as issuing a request for proposals (RFP). An RFP is a structured document that specifies minimally acceptable functional, technical and contractual requirements, and the evaluation criteria that will govern the contract award. While the Village is not legally required to issue an RFP when soliciting professional services, doing so would help ensure that the Village obtains needed services at a reasonable price, from qualified professionals, in the taxpayers' best interests and without partiality. It is also important for the Board to enter into a written agreement or contract with professional service providers to establish the contract period, services to be provided and the basis for compensation.

The Village's procurement policy does not require the use of competition when seeking professional services. Rather, the policy states that "it may not be in the best interest of the Village to solicit quotations or proposals for professional services or services requiring special or technical skill, training or expertise." The policy requires that the provider must be "chosen based on accountability, reliability, responsibility, skill, education and training, judgment, integrity and moral worth." As a result, Village staff did not solicit competition, such as issuing an RFP, when procuring professional services.

The Village made payments totaling \$48,893 to four professional service providers during our audit period, which included \$28,525 for accounting services, \$18,313 for legal counsel, \$1,368 for bond counsel and \$687 for computer services. Village officials did not solicit competition when obtaining these service providers. They told us that three of the vendors were used by the prior administration, including the legal counsel, for more than 25 years. The Village obtained the fourth provider, the bond counsel, from a referral by its legal counsel. Additionally, the Board did not have written agreements with its legal counsel and computer consultant, who were paid a combined total of \$19,000 during our audit period. As a result, Village officials cannot

verify that the payments made to these two professional service providers were made at the proper rate.

Without a competitive process and written agreements establishing the services to be provided and the amount of compensation, Village officials cannot ensure that they are obtaining professional services in the most favorable terms and in the best interest of Village taxpayers. As a result, taxpayers have no assurance that Village officials procured these services in the most prudent and economical manner and without the possibility of favoritism.

Credit Card Purchases

Local governments commonly use credit cards for the convenience of making purchases over the phone or online or to pay employee travel costs. It is important that the Board establish a comprehensive credit card policy and pass a resolution authorizing the use and purpose of credit cards, the number of credit cards and the credit limit for each card. The policy should identify the individuals who are authorized to use credit cards, provide dollar limits for purchases, establish control procedures over the custody of the credit cards and the monitoring of their use and describe the types of purchases allowed, documentation required to support the purchases and responsibilities of the cardholders for unauthorized purchases. Credit card purchases should not be shipped to non-Village addresses. Also, credit cards should not be used when goods or services can be procured through the established purchasing process. Adequate controls over the use of Village credit cards are required to prevent unnecessary and improper payments.

The Board did not establish an adequate credit card policy that described appropriate use of Village credit cards by Village officials or employees. In addition, the Board did not explicitly identify the individuals who are authorized to use credit cards. During our audit period, the Village issued six credit cards⁷ to the Mayor, current and former Fire Chief, current and former Treasurer and a former recreation director⁸ who made credit card purchases totaling \$8,812. The Village did not provide these individuals with a written policy or procedures that identified proper credit card usage, dollar limits for purchases or documentation they were required to maintain to support their credit card purchases. The Board also did not require officials and employees to acknowledge their responsibility with regard to their credit card purchases.

⁷ Each of the six credit cards was issued on a separate account.

⁸ The Village canceled the credit cards assigned to the former Fire Chief, former Treasurer and former recreation director before our audit began.

Credit Cards – The Board routinely approved credit card purchases despite a lack of sufficient documentation. We reviewed eight credit card statements⁹ containing 34 purchases totaling \$5,874. None of the 34 purchases had documented prior approval and 17 totaling \$1,835 did not have sufficient documentation to support the validity of the purchases. For example, the Village paid \$306 for art and party supplies for a Village-sponsored Halloween party and its related claim packet contained an email confirmation of order placement from the vendor as documentation to support the purchase. However, this confirmation did not provide sufficient evidence that the purchase was completed and goods were received, or whether the goods were put to appropriate Village use. Without supporting documentation, such as receipts and invoices, the Board is unable to properly audit claims to determine whether they comply with Village policies and are proper Village expenditures.

In addition, of the 34 purchases, 10 online purchases totaling \$1,509 were either delivered to the home addresses of the card holders or did not have sufficient documentation to determine where they were delivered. Four totaling \$495 were delivered to the home addresses of the card holders instead of being delivered to the Village Hall. For example, party and event supplies were sent to the home address of the former recreation director. The former recreation director told us that it was more convenient to have the items shipped to her home than having to retrieve the goods from the Village Hall. The six remaining purchases, totaling \$1,014, did not have adequate documentation to indicate where the purchases were delivered.

Village officials told us that these purchases were used for Village events. However, without sufficient documentation, the Board would not have been able to determine whether these purchases were for legitimate Village purposes.

PayPal Purchases – PayPal is an international electronic-commerce business on the Internet that facilitates the transfer of funds for online payments and purchases. Once a PayPal account is created, a user can attach it to a bank account or credit card. Payments can be charged directly to the bank account or credit card connected to the user's account. Payments can also be received and money stored in the user's account for use at a later time.

Of the 34 purchases, we found that eight totaling \$1,116 were PayPal purchases made by the Fire Chief. Of this amount, seven totaling

⁹ We selected alternating months (nine months) of credit card statements in our 18-month audit period. Because one of the selected months did not contain any credit card activity, we reviewed eight statements.

\$939 were made using a PayPal account¹⁰ established by the Fire Chief. While these purchases appeared to be for legitimate Village Fire Department purposes, such as pagers, defibrillator batteries, and fire department ID tags and awards, the Fire Chief established this PayPal account without Board approval.

The Fire Chief provided the account credentials to his son, who also was a volunteer at the Fire Department, so that his son could make purchases on his behalf. Because the Fire Chief's Village credit card is linked to the PayPal account, his son therefore had access to the credit card and Village funds. However, the Fire Chief's son had not been authorized to make purchases and should not have been granted access to the PayPal account. Allowing the Fire Chief's son to have access to the account decreases accountability because Village officials will not be able to identify who executed the PayPal purchases. Given that a PayPal account can be used to retain Village money, access to the PayPal account should be restricted to the Fire Chief.

Because the Village does not have policies and procedures to define proper credit card usage or ensure that its credit cards are authorized, it has an increased risk that it will pay for unauthorized items that are excessive or unrelated to Village business. Moreover, when the Village allows non-cardholders to have access to its credit cards, it has an increased risk that improper purchases could be made with Village funds.

The Board should:

Recommendations

1. Ensure that Village employees use requisitions and purchase orders prior to ordering goods and services.
2. Ensure that all Village employees and the Fire Chief are aware of and comply with the Village's procurement policy requiring the use of verbal and written quotes.
3. Consider updating the Village's procurement policy to include use of competitive methods, such as using a request for proposal process, when obtaining professional services.
4. Enter into written agreements with all professional service providers.

¹⁰ The eighth purchase was for pager batteries, totaling approximately \$178, which were purchased with a credit card and processed through the PayPal application. It was not made using an individual PayPal account.

5. Adopt a comprehensive policy and procedures to govern the use of credit cards and review and update the policy annually.
6. Formally authorize the acquisition and use of any credit cards for official Village business.
7. Formally authorize a list of all credit card users, review and update the list periodically and explicitly restrict usage to those identified on the authorized list.

The Board and the Treasurer should:

8. Ensure that all credit card claims contain adequate documentation to provide support that they are legitimate Village expenditures.

Cash Receipts

The Board and Village management are responsible for establishing an internal control system over cash receipts so that Village resources are properly collected, safeguarded and accounted for. It is important for the Board to adopt policies and procedures to help ensure that all cash receipts are properly documented, recorded, reconciled with bank statements and accounting records and deposited within 10 days as required by law. In addition, Village officials must adequately segregate employees' financial duties, so that one individual cannot control all aspects of financial transactions, and provide oversight of those charged with handling public money. When it is not practical to segregate duties because of limited resources, Village officials should routinely review and monitor the work of those employees who have incompatible financial duties. To ensure that cash is properly accounted for, the Village should issue duplicate pre-numbered cash receipts¹¹ to payers when collecting cash. The Board should periodically update its adopted Village fee schedule (list of fees) to ensure that it includes any amendments approved by Board resolution.

Cash receipts for all Village services, such as permits, Village Clerk fees and franchise fees, are collected by the Treasurer. The Treasurer collected \$110,158 in fees during our audit period.¹² The Board has not clearly communicated appropriate methods to collect, record and deposit cash receipts by adopting and disseminating a comprehensive cash receipts policy. As a result, the Village did not have adequate internal controls over its cash collections. Also, the Treasurer's duties related to cash receipts were not adequately segregated. The Treasurer collected cash, issued manual receipts from a duplicate receipts book, recorded daily cash receipts into the accounting system and prepared deposit slips for bank deposits. The Board did not implement compensating controls, such as routinely reviewing and monitoring the Treasurer's work, to address the Treasurer's incompatible financial duties. No one reviewed the Treasurer's work or reconciled the duplicate receipts issued to the Village's accounting records and bank statements. Furthermore, the Board had not updated the Village's fee schedule to include all fees charged or waived, such as the Letter in Lieu of a Certificate of Occupancy fee and the waiver of building permit fees for repairs due to Hurricane Sandy.

¹¹ 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.

¹² The Village's annual update document reported \$110,158 in combined revenue from Clerk fees (\$2,433), building permits (\$43,174) and utility fees (\$64,551) during our audit period.

We reviewed 50 cash receipts¹³ totaling \$15,671 and found discrepancies with 16 receipts¹⁴ totaling \$11,228, as follows:

- Nine cash receipts totaling \$10,698 were not recorded in the Village's duplicate receipts book. The Treasurer told us that one receipt totaling \$6,538 from a cable company was not recorded because the Village does not issue receipts for payment of franchise fees. The Treasurer also told us that another receipt totaling \$3,510 was from the Village's Justice Court (Court) and was not recorded because the Village does not issue receipts for internal transactions. However, Village officials could not explain why the remaining seven receipts totaling \$650 were not recorded in the duplicate receipts book. For example, a \$100 receipt for ten copies of death certificates was not recorded.
- One cash receipt for \$241 was not deposited within 10 days, as required. It was deposited 18 days after receipt.
- We could not determine whether the Treasurer deposited three cash receipts totaling \$3,885 in a timely manner. One cash receipt, a check for \$3,510, was not dated or recorded in the duplicate receipts book. Another check for \$300 was dated August 14 and deposited 15 days later. However, it did not have a corresponding duplicate receipt to indicate when the Village received the check. The remaining cash receipt, a check for \$75, was not dated, and its corresponding duplicate receipt was dated after it had been deposited in the Village's bank account.
- Three cash receipts totaling \$79 could not be reconciled with source documents. For example, a \$50 cash receipt for a building permit was \$200 less than the \$250 application amount. The Treasurer told us that the Village waived the additional \$200 fee because the repairs were due to Hurricane Sandy. However, the Board did not pass a resolution or make a pronouncement to document the fees waived as a result of the storm.
- Two cash receipts totaling \$29 were recorded as being for the payment of fees, but the fees were not listed on the Village's fee schedule. For example, the Village charged a lawyer \$25 for a Letter in Lieu of a Certificate of Occupancy. However, the fee schedule does not list an amount for this

¹³ Refer to Appendix B for more information on our sample selection.

¹⁴ Certain receipts had more than one deficiency.

service, and Village officials were unable to explain the basis for the \$25 charge. The remaining \$4 fee was charged to a Village resident for making photocopies. Although the fee for photocopies was listed on the fee schedule, the number of pages copied was not listed on the corresponding duplicate receipt. Therefore, Village officials cannot determine if the proper fee was charged.

Because Village officials do not properly reconcile the duplicate receipts books to computerized records, amounts collected and receipted could differ from amounts recorded in the accounting system, thereby increasing the risk of error, loss or theft. Furthermore, because Village personnel do not record the collection of cash and checks in the duplicate receipts book and do not deposit collections in a timely manner, the Village has an increased risk that cash receipts could be lost, stolen or misappropriated and remain undetected.

Recommendations

The Board should:

9. Develop and adopt written policies and procedures over cash receipts for collecting, processing, recording and depositing cash receipts.
10. Ensure that the Treasurer's duties are adequately segregated or implement mitigating controls such as proper supervisory review of the Treasurer's work.
11. Establish a policy that clearly defines when it is appropriate to waive fees and document approval of fee waivers by Board resolution.
12. Update the fee schedule, ensure that it includes rates for all Village services and review and amend it periodically, as necessary.
13. Ensure that the Treasurer issues duplicate receipts for all moneys collected, including those collected from various Village departments.
14. Ensure that the Treasurer deposits all cash receipts collected on a timely basis.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

INCORPORATED VILLAGE OF BELLEROSE

50 SUPERIOR ROAD
BELLEROSE VILLAGE, NEW YORK 11001-4125
TELEPHONE: (516) 354-1000
FAX: (516) 354-1033

WWW.BELLEROSVILLAGE.ORG

HENRY J. SCHREIBER
MAYOR

Margaret Hagan
Kenneth Moore
John Tweedy
Joseph Juliano
TRUSTEES



SUZANNE TANGREDI
VILLAGE CLERK-TREASURER

RICHARD G. HANDLER
ATTORNEY

November 12, 2014

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Re: 2014M-218

Dear Mr. McCracken:

The Mayor and the Board of Trustees of Bellerose Village welcome the audit by the Office of the New York State Comptroller. At the start of the audit process the undersigned advised the team leader of cooperation, openness and availability to discuss any questions or interim concerns which might arise. As a result the Village was able to address several problems found without waiting for the exit interview and the draft report.

It is accepted and recognized that procedural and document omissions and deficiencies exist as cited in the audit. At this time those are being addressed and curative measures have either already been put in place or are planned.

The Board of Trustees individually and as a body review and certify all bills of the Village. Any questions are discussed with the Clerk-Treasurer and the Mayor, and only after that and Board approvals are payments made. That scrutiny is not only financial, but also is need based and as such serves as expense control to assure cost appropriateness and necessity.

In reviewing the audit team's findings and recommendations it is apparent that despite that oversight, a greater and more complete step by step documentation needs to be provided. In the area of procurement, concerns for expedient meeting of service and general needs, plus administrative burdens on our limited staff, are causative factors for documentation and procedural omissions in some cases.

As mentioned above, many matters have already been addressed. A Purchase Order System is being formulated and procurement procedures are under review for better documentation and compliance from the initial procurement stage through receipt and disbursement of funds. Cash receipts documentation has been made more complete to enable tracking and deposit reconciliation and credit card usage has been subjected to strict controls. The Fire Department use of Pay Pal has been terminated. Formal detail of actions taken and planned revisions to methodology to better track and document actions will be included in the Corrective Action Plan.

Respectfully submitted,

Henry A. Schreiber,
Mayor

CC: Board of Trustees

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To focus our audit on those areas most at risk, we performed an initial risk assessment of the following areas: financial condition, cash management, cash receipts and disbursements, procurement, claims processing, payroll and personal services, fixed assets and information technology. We also performed evaluations of the Village's Justice Court and Fire Department. During the initial assessment, we interviewed Village officials, performed limited tests of transactions and reviewed pertinent documents such as Village 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 or professional misconduct. We then decided on the reported audit objectives and scope by selecting for audit those areas most at risk. We selected the Village's procurement and cash receipts practices for further audit testing.

To accomplish our objective, we performed inquiries and observation of Village staff and examined selected procurement and cash receipts records and reports for the period June 1, 2012 through December 31, 2013. Our audit included the following steps:

- We reviewed policies and procedures over procurement and cash receipts.
- We interviewed Village officials and key personnel to determine the procedures in place within the procurement and cash receipts processes, particularly regarding the use of requisitions, purchase orders, verbal and written quotes, selection of professional services, use of Village credit cards, collection and receipt of Village fees and deposit of cash received in the Village office.
- We randomly selected ten claims with payments ranging from \$1,500 to \$19,999 to determine if Village staff followed the guidelines in the Village's policy when procuring goods and services that are not required by GML to be publicly bid.
- We identified payments to vendors that, in the aggregate, amounted to more than \$1,500 but less than \$19,999 and randomly selected five claims to determine if Village staff followed the guidelines in the Village's policy when procuring goods and services that are not required by GML to be publically bid.
- We identified all professional service providers used by the Village and reviewed all four of the Village's professional service providers to determine if the Village employed a cost-awareness procedure, such as using a request for proposals process, when selecting the provider.
- We reviewed written agreements with the Village's professional service providers.
- We reviewed a sample of eight credit card statements containing 34 purchases totaling \$5,874 to determine whether Village credit cards were used in a prudent and appropriate manner. We

selected alternating months (nine months) of credit card statements in our 18-month audit period. Because one of the selected months did not contain any credit card activity, we reviewed eight statements.

- We reviewed 50 cash receipts processed in the Village office to determine whether cash receipts were processed appropriately, completely and in a timely manner. We traced 26 of the 50 receipts from 20 source documents to bank statements. Source documents included a selection of ten active building permits, four death certificates, three landscaper permits and three road closures permits that were selected sequentially. These selections were made to obtain a representative cross-section of receipts issued by the Village. The Village processes more building permits than death certificates, or landscaper or road closure permits; therefore, we elected to select more building permits than other types of certificates or permits. We selected the remaining 24 receipts from nine months of bank statements. We selected the nine bank statements by selecting alternating months of bank statements in our 18-month audit period. We then selected the first cash receipt-related deposit and vouched (traced the information on a reported document to the source documents) each receipt associated with that deposit to its source documentation.

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.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313