



Village of Valley Stream

Cash Receipts and Selected Village Operations

Report of Examination

Period Covered:

June 1, 2011 — December 31, 2012

2013M-382



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 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 Village 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 Valley Stream, entitled Cash Receipts and Selected Village 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 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 Valley Stream (Village) is located in the Town of Hempstead, Nassau County. The Village is governed by an elected Board of Trustees (Board) comprising the Village Mayor (Mayor) and four Trustees. The Board is responsible for the Village's overall financial management, including establishing appropriate internal controls over financial operations. The Village Library is governed by a separate, elected Board of Trustees (Library Board). The five-member Library Board is responsible for establishing appropriate controls over the Library's financial operations. The Treasurer is the chief fiscal officer and custodian of all Village and Library money.

The Village's general fund expenditures totaled approximately \$34.3 million for fiscal year 2010-11 and \$35.9 million for the 2011-12 fiscal year. The Village's Library fund expenditures totaled approximately \$1.3 million for fiscal year 2010-11 and \$1.4 million for fiscal year 2011-12.

Scope and Objective

The objective of our audit was to review internal controls over selected Village operations for the period June 1, 2011 through December 31, 2012. Our audit addressed the following related questions:

- Are controls over cash receipts properly designed to ensure that Village resources are safeguarded and properly accounted for?
- Are claims audited by the Board and paid in accordance with Village Law?

Audit Results

We identified weaknesses in the cash collection procedures in the Village's Recreation Department, Clerk's office, Highway Department and Library. Neither the Board nor the Library Board adopted cash receipts policies to secure cash resources. We found discrepancies at the Village pool between amounts collected, recorded and deposited, which were not investigated or reported to the Treasurer. For example, 21 logged pool admissions, totaling \$7,284, did not reconcile with their corresponding register tapes. In the Village Clerk's office, employees issued manual receipts during times of high volume, which were not reconciled with computer-generated receipts collected by the Treasurer. As a result, 46 manually issued receipts for parking permits, totaling \$7,040, could not be located. Although the deposit of this money was supported by bank statements and deposit slips, without a reconciliation of manual and computerized receipts, there is an increased risk of error, loss or theft. Further, employees from the Highway Department collect coins from unsecured street parking meters without supervision, and some of the coins collected are not deposited immediately after a count is

made. Meter collections were sometimes skipped for periods of two to three weeks, and some of this cash was deposited between 14 and 26 days after being collected and counted. Finally, cashiers at the Village Library do not issue duplicate press-numbered receipts when collecting cash, and money collected by multiple cashiers is stored in an unlocked common cash drawer, without a cash count before and after a change of cashiers. The insufficient controls over the cash collection, recording, reconciliation and deposit processes increases the risk of errors and irregularities occurring without being detected and corrected.

We also found that neither the Board nor Library Board audits and approves claims for payment. Instead, the Village Treasurer and his staff audit all claims against the Village and the Library. We found deficiencies in 20 claims totaling \$140,174 (73 percent of the dollar amount of our test), such as the lack of reviewer signatures and the use of confirming purchase orders with no prior approvals. Further, checks are signed electronically with the Mayor's and a Village Trustee's facsimile signature, but neither official retains custody of the signature file or is present during the affixing of their signatures. This arrangement is contrary to Village Law. The Village and Library Boards may not delegate their responsibilities to audit and approve claims for payment to the Treasurer and his staff. Likewise, the Board may not assume the power of the Treasurer, as custodian of Village funds, and delegate that responsibility to the Mayor and a member of its Board. As a result of these practices, there is an increased risk of unauthorized purchases and claims being inappropriately paid.

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 findings and recommendations and indicated they have taken, or plan to take, corrective action.

Introduction

Background

The Village of Valley Stream (Village) is located in the Town of Hempstead, Nassau County, and has a population of approximately 36,000. The Village is governed by an elected Board of Trustees (Board) comprising the Village Mayor (Mayor) and four Trustees. The Board is responsible for the Village's overall financial management, including establishing appropriate internal controls over financial operations. The Mayor and other administrative staff are responsible for overseeing and managing the Village's daily operations. The Treasurer is the chief fiscal officer and custodian of Village funds including Village Library funds; is responsible for maintaining a record of all receipts, expenditures and account balances; and is responsible for providing the Board with timely, accurate and useful financial information.

The Village Library is subsidized by the Village's general fund. The Library's expenditures totaled approximately \$1.3 million for the 2010-11 fiscal year and \$1.4 million for the 2011-12 fiscal year. It is governed by a separately elected Board of Trustees (Library Board) comprising five Trustees. The Library Board is responsible for establishing appropriate controls over the Library's financial operations. An appointed Library Director is responsible for overseeing and managing the Library's daily operations.

The Village employs 160 full-time, 215 part-time and 200 seasonal employees. It provides services including public works, a justice court, building code enforcement, and cultural and recreational activities. These services are funded primarily with revenues from real property taxes and departmental income. The Village's general-fund expenditures totaled approximately \$34.3 million for fiscal year 2010-11 and \$35.9 million for fiscal year 2011-12.

Objective

The objective of our audit was to review internal controls over selected Village operations. Our audit addressed the following related questions:

- Are controls over cash receipts properly designed to ensure that Village resources are safeguarded and properly accounted for?
- Are claims audited by the Board and paid in accordance with Village Law?

Scope and Methodology

We examined internal controls over cash receipts and the audit of claims for the period of June 1, 2011 through December 31, 2012.

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 findings and recommendations and indicated they have taken, or plan to take, corrective action.

The Village 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 Village Clerk's office.

Cash Receipts

The Board is responsible for establishing internal controls so that cash is safeguarded, accounted for and properly recorded. Such controls include written policies over the cash receiving function. Accordingly, Village officials are responsible for designing and documenting appropriate operating practices and procedures and delineating employee responsibilities. Procedures should provide for individual accountability and ensure that cash receipts are properly secured, accounted for, recorded and deposited. Since the Library has a separate board, the Board is required to adopt a system of internal controls over Library cash receipts. Village Law requires the Treasurer to deposit Village money within 10 days after receipt.

The Board and Library Board have not adopted cash receipts policies requiring internal control procedures to be established and implemented. We identified weaknesses in the cash collection procedures at the Recreation Department, Clerk's office, Highway Department and Library. Management and employees developed cash collection procedures that were not consistent with good internal control practices, resulting in errors in recording and reporting cash receipts, without management questioning the errors or re-evaluating procedures. As a result, Village officials do not have adequate assurance that all cash collected has been properly recorded and accounted for.

Village Pool

Effective internal controls require that cashiers' access to the cash drawer be limited to sales transactions, with refunds and "no-sale"¹ transactions requiring supervisory approval. Cash collections should be reconciled to the register tapes and any differences investigated, resolved and reported to the Treasurer.

The Board did not establish written policies and Village officials did not establish written procedures covering pool receipts. Discrepancies between the cash register tapes, manually maintained admission logs, cash collections and deposits were not investigated or reported, and explanations for transaction errors were not documented. Consequently, Village officials have no assurance that all cash register receipts at the Village pool have been properly accounted for.

Pool patrons pay a different admission fee based on whether they are members or guests. The admission price is further divided by adult,

¹ In a no-sale transaction, the cash register drawer is opened but there is no documentation to indicate whether anything was added to or removed from the register.

child or senior citizen. Fees range from \$7 to \$12. A common cash register is used to collect pool fees; the cash drawer is reconciled at the end of each shift, up to four times a day.² In addition to collecting admission fees, the cashier records the patrons' names, identification numbers and amounts paid in the pool admission log. At the end of each shift, the cashier and the supervisor close out the register, generate a close-out report,³ count the cash in the drawer and compare the cash total to the total fees recorded on the admission log for that shift. The supervisor attaches the close-out report and cash to the admission log and records the total from each close-out report and admission log, as well as the cash on hand, on the back of the admission log, then submits the tape, log and cash to the Recreation Department office. The Recreation attendant prepares a daily summary of total admissions and total cash collected by each cashier. The cash receipts are stored in a safe in the Recreation office until the end of the week. The attendant summarizes the daily reports in a weekly receipts summary report which, along with the total cash collected and the daily report summaries, is provided to the Treasurer's office at the end of each week for processing and deposit.

Reconciliations — During our audit period, the Village collected \$660,047 in pool admission fees from Village residents and their guests. We selected receipts for 29 days⁴ comprising 53 register close-outs, totaling \$14,676, to determine whether pool receipts have been properly accounted for.

Cash register tapes were either lost or destroyed for three admission logs totaling \$2,287. Therefore, Village officials have no assurance that reconciliations were performed for these admission logs or that these receipts were properly recorded and deposited.

Of the remaining 50 admission logs, 29 logs totaling \$5,105 reconciled with the register tapes. The remaining 21 logs, totaling \$7,284, did not reconcile with their corresponding register tapes; 12 admission logs showed less receipts than the register tapes by a total of \$327, and nine admission logs exceeded the register tapes by a total of \$65. We found no documentation to explain the nature of the discrepancies or indicate that they were reported to the Treasurer for further review. Additionally, 39 admission logs included transactions of multiple cashiers on the same register drawer. Further, cashiers were allowed to process refunds totaling \$706. These undocumented refunds, along

² The timing and number of shifts vary daily due to weather, pool activity and availability of pool staff.

³ The close-out report, also called the "Z-tape" report, lists a summary of all cash register transactions within the current shift just completed.

⁴ To test cash receipts collected at the pool, we selected pool receipts included in the first deposit made in the months of June and August 2011 and July and August 2012.

with 444 instances of no-sale transactions, were performed without supervisory review and approval.

Daily Reports — For these same 29 days of cash receipts, we also compared the register tapes and admission logs to the daily reports submitted to the Treasurer and identified numerous discrepancies:

- Thirty-eight admission logs totaling \$12,503 differed from corresponding daily reports to the Treasurer; 13 logs totaled more than the respective daily reports by \$133, and 25 logs totaled less than the respective daily reports by \$120.
- Thirty-seven register tapes totaling \$11,101 did not match their corresponding daily reports; 18 register tapes totaled more than the respective daily reports by \$118, and 19 register tapes totaled less than the respective daily reports by \$285.
- In over 500 instances (including 37 tapes mentioned above), the patron classifications recorded on the register tape differed from those on the daily report, equating to a gross total of \$4,582. Most of these differences were not realized because the overages were canceled out by the shortages; however, none of these differences were reported to the Treasurer so that the errors could be addressed and future errors prevented.

The attendant told us that she uses the admission logs to determine the classification of patrons based on the amount paid per transaction, which she uses to develop the daily summary of admissions. However, the admission logs do not identify transactions based on the type of patron, and, because the fees vary, the patron classifications cannot be consistently determined for payments covering multiple types of patrons.

These discrepancies occurred because there was a lack of effective controls and procedures to ensure accountability and proper reconciliation of the cash collected with the amounts recorded. As a result, there is an increased risk of errors or irregularities occurring without detection and correction.

Clerk's Office

Village officials are responsible for ensuring that personnel in the Clerk's office account for all duplicate receipts, properly record all receipts issued in a cash receipts journal, retain copies of those receipts and periodically compare them to the amounts recorded in the cash receipts journal. Duplicate receipts should provide sufficient detail to reconcile with the Village's record. An adequate accounting system provides a way to follow issued receipts through the process of collecting, recording and depositing.

Cash receipt transactions processed in the Clerk's office are generally handled by a computer system that generates a duplicate receipt and records the transactions in the accounting records. However, to expedite the process during high-volume periods, staff manually prepare and issue two-ply pre-numbered receipts ("manual receipts") to process certain transactions such as issuing parking permits. In those instances, a manual receipt is issued to document and account for the cash received, and later in the day the manual receipts are entered into the computer system. Cash collected is stored in each employee's desk drawer. This process results in dual, differently numbered receipts issued for the same transaction. At the end of the day, the Treasurer collects the cash from the staff but does not collect the manual receipts or reconcile them with the computer-generated receipts. Without such reconciliation, there is no assurance that all manual receipts have been entered into the system and that all cash collections have been properly accounted for, remitted to the Treasurer and deposited.

During the audit period, the Clerk's office collected \$332,700 in cash. We reviewed one week⁵ of collections totaling \$10,456 to determine whether manual receipts were accounted for, accurately recorded in the computerized system and available to support bank deposits. Although the amount deposited was supported with deposit slips and bank statements and agreed with the amount recorded in the computerized system, 46 manually issued receipts for parking permits, totaling \$7,040, could not be located and therefore were not available for reconciling to the computer-generated receipts for accuracy. Moreover, the computerized receipts' transaction notes did not reference the corresponding manual receipt numbers. Therefore, Village officials could not conduct a meaningful reconciliation of the manual and computerized cash receipts. Without such a reconciliation, amounts collected and receipted with manual receipts could differ from computer entries, increasing the risk of error, loss or theft.

Because the Board did not adopt written policies and management did not develop procedures to ensure accountability for all cash collected, the Clerk's office staff developed informal procedures that were inconsistent with good internal control practices. Without sound controls to ensure that manual receipts are properly accounted for, Village officials have no assurance that all money collected has been properly accounted for, recorded and deposited.

Metered Parking

Effective controls over parking-meter collections should ensure accountability of each person who collects the money and require

⁵ The Treasurer told us that cashiers issue duplicate receipts manually during high-volume periods, such as the month of April when issuing parking passes. Therefore, we selected a week of receipts collected during April 2012 for our test.

that each collection is counted upon receipt and deposited promptly. Parking-meter collectors should be rotated frequently, and access to parking-meter coins should be restricted by sealed coin holders or a similar secured device. When secured coin devices are not practicable, management can implement procedures to mitigate the risk of loss, such as supervised collections and trend analysis⁶ by route.

The Board did not adopt policies ensuring that internal controls over parking meter collections are well designed, implemented and monitored. As a result, Village officials developed their own procedures for retrieving, counting and depositing parking meter collections, which are not adequate to safeguard Village resources.

Highway Department employees collect coins from street parking meters three times per week. Collections are unsupervised and made by lone employees along the same predetermined routes. Coins are collected from unsecured parking meter containers and loosely emptied into zip-locked canvas bags. At the end of the routes, the coins are comingled and stored in a safe for one to three days until they are counted. Generally, on the fourth day the coins are sorted by denomination, machine counted and placed into sealable bank deposit bags based on pre-set dollar amounts. If coins are not sufficient to reach the preset amount, the partially filled bag is retained and comingled with the following week's coin collection for deposit.

During the audit period, the Village collected \$768,750 from parking meter collections. We reviewed all 77 coin deposits made during this period and found six instances of meter collections being skipped for periods ranging from two to three weeks; when collections resumed, this amount aggregated to \$101,200 (13 percent of total collections). Of this amount, at least \$3,763 of the coins was deposited between 14 and 26 days after being collected and counted. In addition, since coin collection data was not identified and recorded by route and/or employee, Village officials could not perform any meaningful trend analysis to mitigate the inherent risk associated with unsecured parking meter collections.

The lack of necessary controls over the collection and deposit of parking meter coins significantly increases the risk that money could be lost, stolen or misappropriated without detection. In addition, without daily, individual counts and deposits, Village officials cannot establish trend histories for each collection route and perform routine and meaningful analytical review of collection trends.

⁶ Trend analysis is a mathematical technique that uses historical data to predict performance over time.

Village Library

The Library's Board and officials are responsible for accounting for and protecting Library assets. Effective controls should include the use of sequentially numbered duplicate receipts⁷ issued by Library employees authorized to receive cash, indicating which clerk collected the cash, the purpose and form of the payment and the date of the transaction. Employees who receive cash should each have their own assigned cash drawer. When cash custody is transferred from one employee to another, the receiving employee should count the cash in front of the employee relinquishing it, and both should acknowledge the count by signing the receipt record. Further, cash on hand should be reconciled with the cashiers' daily logs. Securing collections in a locked cash register during each cashier's shift protects collections from loss or misuse.

The Library Board did not develop policies, and officials did not implement procedures, to properly safeguard Library money. Cashiers do not issue duplicate press-numbered receipts when collecting cash but only record the dollar amount and nature of the transaction in a cashier log. The money, collected by multiple cashiers, is stored in an unlocked common cash drawer, without a cash count before and after a change of cashiers. Without the issuance of duplicate receipts, a proper accounting of cash on hand and its reconciliation with the cashiers' daily logs is not possible. Library staff identify discrepancies (overages and shortages) on daily internal reports but do not report them to the Treasurer. Instead, discrepancies are netted and the adjusted amounts are submitted to the Treasurer for deposit.

Library cash receipts totaled \$50,087 during the audit period. We selected and tested one month⁸ of cash receipts totaling \$3,381 to determine if the amounts recorded in the cashiers' daily logs and the daily internal reports agreed with the amounts remitted and deposited by the Treasurer. The \$3,381 remitted to the Treasurer included \$99 in cash receipts in excess of the amounts recorded in the daily reports. Due to the lack of duplicate receipts identifying the name, purpose and form of payment received, Library officials are not able to reconcile the cash received with the daily report and the cash remitted to the Treasurer for deposit.

The failure to issue sequentially numbered duplicate receipts for all cash collected at the Library, as well as using a common cash drawer and not assigning accountability to individual cashiers, increases the risk of cash being lost or stolen. In addition, without accurately documenting, reporting and explaining cash variances, Village officials have no assurance that all Library receipts are properly accounted for.

⁷ General Municipal Law requires the issuance of consecutively numbered receipts when receiving money on behalf of a municipality.

⁸ We selected all cash receipts posted and deposited during the month of July 2012.

Recommendations

1. The Board should adopt written policies and Village officials should implement written procedures for the acceptance, handling and recording of departmental cash receipts and supervisory review of cash receipts. Procedures should explain how to document and report cash overages or shortages to the Treasurer.
2. Recreation Department managers should ensure that cash collections at the Village pool are reconciled to register tapes, admission logs and daily reports. Any differences should be reported to the Treasurer, investigated and resolved.
3. The Board should require, and Village officials should develop, procedures to ensure that no-sale transactions and customer refunds are processed only with supervisory approval.
4. Village officials should require each employee who collects cash at a register to sign in before collecting cash and should consider assigning individual user codes for each employee who uses the register.
5. Village officials should require that all manually issued duplicate receipts for money collected in the Clerk's office are retained and that the Treasurer periodically reconciles the manually issued and computerized receipts to ensure that all money collected is accounted for.
6. The Board should implement more secure methods for collecting parking meter cash and provide for individual accountability by recording coin collection data by route and/or employee or it should institute mitigating controls such as rotating collection routes and/or periodic trend analyses of collection data.
7. The Board should require that all parking meter cash be counted promptly and deposited within 10 days, as required by law.
8. The Library Board should adopt policies and implement procedures requiring the issuance of sequentially numbered duplicate receipts showing the name of the payee, the purpose and amount of the payment, the date and the name of the employee who collected the money.
9. Library officials should reconcile cash received with the daily report and the cash remitted to the Treasurer for deposit.

Audit and Payment of Claims

The Board is responsible for establishing policies and procedures for the audit and payment of claims in compliance with Village Law and best practices. After claims are audited, the Board must acknowledge such audit in the public record or Board minutes and direct the Treasurer to pay each claimant included in the warrant (list of audited claims to be paid). The Library Board is independently responsible for auditing claims issued against the Library.

We found that neither the Board nor Library Board audited and approved claims for payment. Instead, the Treasurer and his staff audited all claims against the Village and the Library. Checks were signed electronically using a single signature file containing both the Mayor's and a Village Trustee's facsimile signatures, with neither the Mayor nor the Trustee retaining custody of the signature file or being present during the affixing of the signatures. This arrangement is not in compliance with the law and allowed claims to be paid without a proper audit and with numerous deficiencies.

Audit of Claims

A proper audit ensures that each claim contains sufficient supporting documentation and that the related purchase order was created in advance of the purchase (i.e., not a confirming voucher).⁹ Authorization to pay the claim should be documented on the face of the claim, along with the date reviewed by the individuals authorized to audit the claim, and recorded in the Board proceedings. The Treasurer is responsible for paying each claim upon receipt of a signed warrant approved by the Board or Library Board. In the absence or inability of the Treasurer to carry out the check-signing function, the Mayor (or Deputy Mayor) or Deputy Treasurer is allowed to sign checks, upon authorization granted by Board resolution or local law. If checks are signed with an electronic facsimile signature, the signature files must be safeguarded by the individual whose signature is represented and used only under his/her direct supervision.

The Board and the Library Board may, by resolution, appoint and delegate the claims audit responsibility to a claims auditor or a committee¹⁰ of their respective Boards to audit and approve claims for payment. However, the Treasurer, who is the custodian of Village money, may not assume the responsibilities of the claims auditor to audit Village and Library claims because the functions of the claims

⁹ A confirming voucher is one that is prepared after goods have already been ordered from a vendor.

¹⁰ The committee must be represented by at least three members of the respective governing Board.

auditor and the Treasurer are not compatible; the claims audit and approval function should not be performed by the same individual who pays the claims.

Neither the Board nor the Library Board audits and approves claims for payment. Instead, the Treasurer and his staff audit all claims against the Village and the Library. The Treasurer told us he presents the audited claims to the two Boards at their respective meetings and they sign a warrant directing the Treasurer to pay the claims. There is no record in the minutes of either Board documenting a proper audit.

The Treasurer paid 7,777 claims totaling approximately \$68.4 million during our audit period. We randomly selected 50 Village and Library paid claims, totaling \$192,123, to evaluate the claim audit and approval process. The sample comprised 43 Village claims totaling \$180,607 and seven Library claims totaling \$11,516. There is no evidence that these claims were audited and approved by either Board before they were paid. Further, the Treasurer and his staff did not always indicate who reviewed the claims or on what date, and there were no indications in the Board minutes. We found deficiencies in 20 claims totaling \$140,174 as follows:

- Five claims totaling \$129,903, including one claim of \$124,984 for solid waste removal, did not have a reviewer's signature and
- Fifteen claims totaling \$10,271 were paid based on confirming purchase orders issued after the items had been purchased. There were no explanations on these claims to indicate why these goods and services were ordered without the prior approval of the Village's purchasing agent.

Village and Library officials told us that their respective Boards do not audit the claims because it is too time-consuming. Although Village officials said that the Board reviews the lists (warrants) of checks to be prepared and, by majority, approves payment of the claims, we found no such reference in the proceedings of either Board.

By not conducting an audit of claims before they are approved for payment by the Treasurer or alternatively delegating that responsibility to a claims auditor or committee, the Village and Library Boards are not in compliance with Village Law. Without a proper claims audit, the Village is at an increased risk of errors or inappropriate payments of claims.

Payment of Claims

Village Law establishes the Treasurer as the custodian of all Village money, responsible for disbursement only upon receipt of a Board-approved and signed warrant. The Treasurer may sign checks with an

original signature and with the facsimile signature of another officer or Board member using a check-signing machine; however, signature files must be safeguarded by the individual whose signature is represented and used only when the individual is directly supervising the printing of the signature. The Mayor may sign checks in the absence or inability of the Treasurer or Deputy Treasurer. The Board may require checks to be countersigned by a Village officer or Board member in addition to the Treasurer.

We found that the Treasurer does not sign Village checks as required by law; instead, either the Treasurer or an account clerk in the Treasurer's office affixes the facsimile signatures of both the Mayor and a Trustee to the checks. In addition, neither the Mayor nor the Trustee retains custody of the signature file, and neither is present during the affixing of their signatures on the checks. Furthermore, the single signature file containing both the Mayor's and Trustee's signatures is controlled and used by both the Treasurer and an account clerk in the Treasurer's office.

Our random test of 50 checks totaling \$192,123 confirmed that none were signed by the Treasurer, and all were signed with the facsimile signatures of the Mayor and a Trustee, neither of whom conducted a claims audit. Although these payments appeared to be for proper Village purposes, this arrangement is contrary to Village Law. It also creates an environment where the Treasurer has total control over the disbursement process without the essential checks and balances required by law.

Recommendations

10. The Village and Library Boards should audit claims against the Village and Library, respectively, and should not delegate those responsibilities to the Treasurer.
11. Village officials should ensure that claims are not approved for payment based on confirming purchase orders (i.e., issued after the purchase was already made) unless there is valid documentation to show why pre-approval of the purchase could not be obtained.
12. The Village Treasurer should sign all checks as required by law.
13. When Village checks are required to be countersigned by another official, the facsimile signature file should be used in that official's presence and kept in his/her possession at all times.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



VILLAGE OF
V A L L E Y S T R E A M

March 26, 2014

BOARD OF TRUSTEES

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DEPUTY MAYOR

DERMOND E. THOMAS

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ROBERT D. BARRA

Office of the State Comptroller
Division of Local Government & School Accountability
Attn: Ira McCracken, Chief Examiner
NYS Office Building, Room 3A10
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

The Incorporated Village of Valley Stream has received the audit report of "cash receipts and selected village operations" prepared by your office. This letter is the village's response to the findings and recommendations contained in the audit report.

I would like to take the opportunity to thank the office of the comptroller, in particular [REDACTED] and [REDACTED] for the courtesy and professionalism displayed to all village officials and staff while conducting their field work. It was a pleasure to work with them throughout the audit and the village is appreciative of their thorough work and recommendations to improve the village's system of internal controls.

The scope of this audit focused on two major aspects of the village's operations, internal controls over cash receipts and the audit and payment of claims in accordance with village law.

In respect to cash receipts, the audit identified several weaknesses in the system of internal controls. Some of these weaknesses were already recognized by the administration and steps had begun to be taken toward resolving these issues. For example, the weaknesses in the recreation department, arising from an antiquated cash register system with multiple users and no means to differentiate employees with unique user codes, had been identified. To mitigate this weakness the village has invested in a point of sale computerized system called [REDACTED] which will go live for the 2014-2015 fiscal

THE VILLAGE IS DEDICATED TO DELIVERING EXCEPTIONAL SERVICE TO THE PEOPLE IT SERVES

VILLAGE HALL on THE VILLAGE GREEN, VALLEY STREAM, NEW YORK 11580
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year and will require individual user codes for all users and will do away with the current manual log and cash register tape system. Other weaknesses were identified in respect to the library and meter collection operations, which were not as apparent to the village administration, but were quickly recognized as areas where additional controls can be implemented to ensure all money collections are accounted for. The village plans to establish written procedures and policies that will be adopted by both the village board and the library board, as well as implement all of the recommendations made to improve the village's cash receipts operation.

The next area of focus during the audit was the "audit and payment of claims." Again, several weaknesses were identified in the village's current policies and procedure. Most, if not all of these weaknesses could be easily and immediately fixed. The village's disbursement checks at the time of this letter are already being signed by the village treasurer, rather than a village trustee, and the mayor is now present during the affixing of his countersignature. Also, the village board and the library board intend to appoint a claims auditor or committee, respectively, to handle the claims auditing responsibilities and document the proper audit in the minutes of their respective board meetings.

Finally, the village and library boards will prepare and provide to the comptroller's office a written corrective action plan (CAP) pursuant to Section 35 of the New York State General Municipal Law within 90 days. Please do not hesitate to contact me or my staff should you wish to discuss this response further.

Sincerely,

Edwin A. Fare
Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials in order to safeguard Village assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. During the initial assessment, we interviewed appropriate Village officials, performed limited tests of transactions and reviewed pertinent documents such as Village policies and procedures, Board minutes and financial records and reports. Further, we reviewed the Village's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

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 upon the reported objective and scope by selecting for audit those areas most at risk. We selected cash receipts and the audit of claims for further audit testing. We performed the following procedures:

- We examined Board minutes for approval of policies and procedures over the audit and payment of claims.
- We interviewed Village officials and employees and observed controls over the cash receipts process and the audit, approval and payment of claims.
- We randomly selected Village claims for examination and reviewed the attached supporting documentation for audit sufficiency.
- We examined check warrants presented to the Board.
- We examined Village checks to identify signatures.
- We reviewed Village Law to verify the Treasurer's responsibilities of maintaining custody and disbursement of Village money.
- We reviewed Village Law to verify the Mayor's responsibilities associated with signing Village checks.
- We examined Village pool receipts, which included register tapes, admission logs and reports to the Treasurer, and traced these receipts to bank deposits.
- We examined Village on-street parking receipts, consisting of coin ledgers, accounting system reports, bank statements and bank deposit slips.
- We examined Village Library receipts including receipt logs, reports to the Treasurer and bank statements.

- We examined Clerk's office receipts for parking permits, including accounting system receipt logs, bank statements and deposit slips.

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

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