



Village of Irvington

Selected Financial Activities

Report of Examination

Period Covered:

June 1, 2013 — June 30, 2015

2015M-265



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2016

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 of Trustees 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 Irvington, entitled Selected Financial Activities. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendation are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Village of Irvington (Village) is located in the Town of Greenburgh in Westchester County and has approximately 6,500 residents. The Village provides various services to its residents, including road maintenance and repair, police and fire services, general government support services and water and sewer services. The Village's 2015-2016 fiscal year budgeted appropriations for the general fund totaled approximately \$16.6 million, funded primarily with real property taxes, permits, rentals and user fees.

The Village is governed by an elected Board of Trustees (Board) which is composed of four Trustees and a Mayor. The Board is the legislative body responsible for oversight and general management of Village financial operations. The Mayor is the Village's chief executive officer and has been given Board authority to audit and approve claims for payment. The Board-appointed Clerk-Treasurer is responsible for maintaining custody of all Village money, maintaining the accounting records, preparing financial reports, billing and receiving water and sewer rent revenues as well as preparing and signing checks. The Village Administrator, who is appointed and serves at the pleasure of the Board, is responsible for day-to-day operations of all Village departments.

Objective

The objective of our audit was to examine cell tower revenues and the Village's cash disbursements. Our audit addressed the following related question:

- Did Village officials implement adequate controls over cell tower revenues and cash disbursements?

Scope and Methodology

We examined cell tower revenues and the Village's cash disbursements for the period June 1, 2013 through June 30, 2015. We extended our scope to 1993 to review the original cell tower contract and subsequent amendments.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of
Local Officials and
Corrective Action**

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

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendation in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk-Treasurer's office.

Selected Financial Activities

The Board and Village officials are primarily responsible for overseeing the Village's assets and ensuring that adequate internal controls are in place to safeguard these assets. This responsibility includes establishing and enforcing policies and procedures to ensure that all money due the Village is collected, recorded and deposited, and that all money disbursed is for proper Village purposes.

We reviewed the Village's cell tower revenues and cash disbursements to professional service providers and found that, generally, controls over tower revenues and disbursements were adequate. However, the Village did not receive any revenues for one of the colocators during the 2014 calendar year. Village officials told us they did not have any new amendments for the delinquent cell carrier and were unable to determine the exact dollar amount owed to the Village. We estimated the amount the Village did not receive to be between \$13,900 and \$14,900.

Cell Tower Revenues

In 1993, the Village entered into a contract with a cell carrier to use the Village's newly constructed cell tower. The contract allowed the cell carrier to renew the lease every five years for a 20-year period. The agreement also stipulated that rental payments would increase every five years using the Consumer Price Index for All Urban Consumers of New York/Northern New Jersey (CPI-U). In 1997, the cell carrier added an amendment that would allow the company to sublease space on the cell tower to other cell carriers, known as colocators. According to the 1997 amendment with the master lease cell carrier, all colocators are required to pay 50 percent of all rental amounts owed in their respective sublease agreements to the Village. The Village, however, is not privy to all of the agreement amendments between the primary lease cell carrier and the colocators. Therefore, Village officials cannot always verify the exact amounts owed to the Village by colocators. Additionally, in 2015, the master lease cell carrier amended the contract with the Village, offering a \$16,500 signing bonus for a 20-year extension and an annual increase of the greater of 3 percent or the CPI-U. There are a total of six cell carriers: one cell carrier with the master lease and five colocators.

During the 2013-14 and 2014-15 fiscal years, the Clerk-Treasurer collected approximately \$179,000 and \$172,000, in rental revenue from cell carriers. As part of the cell tower cash receipts process, the Clerk-Treasurer's office receives payments from cell carriers in the amounts required by their respective lease and sublease agreements. To determine whether receipts were correctly deposited and accounted

for by the Clerk-Treasurer, we reviewed the cash receipt process. Cell tower cash receipts are either directly deposited in the Village's general fund bank account or deposited with other receipts in batches every two to three business days via deposit slips and recorded in the Village's accounting system.

We reviewed the cell carrier contract language from 1993 to 2015 to determine whether the Village received the correct amount per contract terms. We examined the cell carrier's master lease for rate increases and the colocators' contracts and computed the amounts the Village was expected to receive based on contract terms. The Village received cell tower revenues to which it was entitled, with the exception of a colocator who did not pay the Village during the 2014 calendar year. Village officials stated that, after repeated requests, the Village received \$6,201 in May to be applied to the 2015 calendar year. Although Village officials were aware of the lapse in payments, without having a copy of the agreement amendments, they were unable to determine the exact dollar amount that the delinquent colocator owed to the Village. We estimated the amount owed by the colocator for 2014 to be between \$13,900 and \$14,900. After we completed our fieldwork, the Village settled with the colocator and received \$13,250.

In addition, we tested to see if the cell carrier receipts were properly receipted and accounted for by the Clerk-Treasurer. We tested all monthly payments for the master lease cell carrier and selected colocators receipts for the audit period. We traced 65 cell carrier deposits totaling approximately \$177,000. All cell carrier receipts matched the Village's accounting and bank records and were accounted for.

Cash Disbursements

The Village has written cash disbursement procedures that require that each department head be responsible for signing and reviewing vouchers and invoices to ensure that the goods or services were received in good condition and in the correct quantity and price. Vouchers are then returned to the finance office. The Clerk-Treasurer reviews all vouchers and supporting documents and signs off on the voucher packet¹ to verify the correct appropriation code is charged and the expenditure is within the amount budgeted. The Mayor reviews all voucher packets for completeness and to ensure expenditures are for proper Village purposes. He also compares the vouchers to the warrant and signs off on the warrant indicating his approval as correct. The Clerk-Treasurer then signs all checks. Checks in excess of \$25,000 are required to have two signatures (the Clerk-Treasurer and the Mayor), to be reported to the Board and to be documented in the Board minutes.

¹ Voucher packets include the voucher, invoice, purchase order, quotes/bids and receiving documents.

We judgmentally selected and reviewed payments to 19 vendors that received 218 payments totaling approximately \$715,000. We tested 59 payments totaling approximately \$448,000 to determine whether the disbursements were for Village purposes, adequately supported and properly audited and approved. Except for minor discrepancies, we found the Village's internal controls over cash disbursements to be adequate.

Recommendation

Village officials:

1. Should request a copy of all amendments to the agreements for which they are receiving revenue.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



William Irvington

INCORPORATED 1872

BRIAN C. SMITH
Mayor

Trustees

MARK GILLILAND
CONSTANCE M. KEHOE

CHRISTINA M. GILBERTI
JANICE V. SILVERBERG

LAWRENCE S. SCHOPFER
Village Administrator

BRENDA M. JESELNİK
Village Clerk-Treasurer

MARIANNE STECICH
Village Attorney

December 29, 2015

Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553

To Whom It May Concern:

The Board of Trustees and I, along with the Village's staff, fully cooperated with the capable field auditors from the Office of the State Comptroller during their audit this past summer. We concur with the findings of the audit and we are satisfied that the audit reached the correct final conclusion, specifically, that the controls over the Village's cell tower receipts and other disbursements were adequate. We are pleased with this conclusion.

The audit included a single recommendation, to request a copy of all amendments to the agreements for which the Village is receiving revenue. In response, we have already implemented a procedure in our Clerk/Treasurer's office to routinely request copies of all such amendments. The Clerk/Treasurer will create and maintain a list of agreements which are associated with revenues paid to the Village. On an annual basis, a letter or email will be sent to the other party requesting a copy of any new amendments to those agreements.

Thank you and your staff for a successful audit.

Sincerely,

Brian C. Smith
Mayor

cc: Board of Trustees
Lawrence S. Schopfer, Village Administrator
Brenda M. Jeselnik, Clerk/Treasurer

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APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed Village officials and tested selected cell tower cash receipt and disbursement records for the period June 1, 2013 through June 30, 2015.

- We interviewed Village officials and reviewed Board minutes and Village policies and procedures to obtain an understanding of internal controls over cell tower revenues and cash disbursements.
- We reviewed six cell tower lease contracts to gain a better understanding of what was owed, per cell carrier, to the Village on a monthly and an annual basis during our audit period.
- We reviewed judgmentally selected payments from the six cell carriers and recalculated and reconciled them to the contract language, including amendments to the master lease and sublease agreements.
- We compiled journal entries for revenue received by cell carriers during our audit period. The journal entries were used to determine if amounts deposited to the Village's general fund bank account were accurate.
- We reviewed all general fund bank statements received during our audit period. We traced all cell carrier revenue deposits to the Village's duplicate numbered receipts or direct deposits to determine if cash receipts were properly recorded and received.
- We reviewed 59 claims for 19 of the 928 paid vendors to determine if these disbursements were adequately supported, Board-approved and legitimate Village purchases. We selected our sample by choosing vendors that appeared odd in name, with goods or services received and dollar amount paid during our audit period.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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