



Village of Washingtonville

Village Hall Building Project and Board Oversight

Report of Examination

Period Covered:

March 1, 2011 — July 12, 2013

2015M-37



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2015

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 Washingtonville, entitled Village Hall Building Project and Board Oversight. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

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

Respectfully submitted,

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



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Village of Washingtonville (Village) is located in the Town of Blooming Grove, Orange County, covers 2.5 square miles and has an approximate population of 5,900 residents. The Board of Trustees (Board) is composed of four elected members and an elected Mayor. The Board is the legislative body responsible for managing Village operations and financial affairs. The Mayor is the chief executive officer and is responsible for the general administration, coordination and supervision of Village operations. The Village's total general fund budget for the 2014-15 fiscal year was approximately \$4.5 million.

Scope and Objective

The objective of our audit was to determine whether the Board properly safeguarded Village resources. We examined the management of the Village Hall building project and other selected financial activities for the period March 1, 2012 through July 12, 2013. We extended our scope period to March 1, 2011 to obtain additional information for our review of the Village Hall building project. Our audit addressed the following related questions:

- Did the Board properly plan and provide sufficient oversight and management of the Village Hall building project?
- Did the Board provide adequate oversight of the Treasurer's duties and the former Mayor's salary?

Audit Results

The Board did not properly plan and provide sufficient oversight and management of the Village Hall building project. As a result, the second floor of the current Village Hall is incomplete and unusable, more than three years since the start of the project.

Village officials did not keep accurate, complete and reliable records at the project's onset and did not provide the Board with detailed and periodic reports so that it could make informed decisions. Specifically, the Board and Village officials did not use an appropriate process to ensure that they obtained and renovated the new Village Hall at a reasonable cost. We found no documentation that supported the basis for the \$1.5 million bond anticipation note that was issued to purchase the building and perform renovations. There was no evidence that Board members requested or reviewed any cost analysis to confirm that the building was feasible to become the Village Hall or that they sought other properties prior to selecting this location. As a result, they may have paid more than necessary for this property.

The Board needs to improve its oversight of Village financial operations. We found significant weaknesses in the internal controls over the Village's financial activities. The lack of segregation of the Treasurer's duties (and absence of management and Board review of her work) and the lack of Board oversight of the former Mayor's activities provided opportunities for significant errors and irregularities to occur without being detected and corrected. For example, the former Treasurer kept two sets of checks without the Board's knowledge and processed checks with the same numbers. This caused errors and irregularities with payroll disbursements. The former Mayor also increased his annual salary and received over \$4,000 without following the applicable law.

Subsequent to the initial release of this audit report, the former Mayor, Deputy Mayor and Treasurer objected to certain information contained in the report and asserted that Village officials in office during the audit did not provide accurate information and documentation. We have reviewed additional information and added footnotes to the report to clarify issues raised by these former officials.

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 indicated they plan to initiate corrective action.

Introduction

Background

The Village of Washingtonville (Village) is located in the Town of Blooming Grove, Orange County, covers 2.5 square miles and has an approximate population of 5,900. The Board of Trustees (Board) is composed of four elected members and an elected Mayor. The Board is the legislative body responsible for managing Village operations and financial affairs. The Mayor is the chief executive officer and is responsible for the general administration, coordination and supervision of Village operations.

The Village Treasurer (Treasurer) is the Village's chief fiscal officer and is responsible for maintaining a record of all receipts, expenditures and account balances, and for providing the Board with timely and accurate financial information. In addition, the Treasurer is responsible for processing invoices to be paid, processing payroll and preparing bank reconciliations. The Village's total general fund budget for the 2014-15 fiscal year was approximately \$4.5 million.

Objective

The objective of our audit was to determine whether the Board properly safeguarded Village resources. We examined the management of the Village Hall building project and other selected financial activities. Our audit addressed the following related questions:

- Did the Board properly plan and provide sufficient oversight and management of the Village Hall building project?
- Did the Board provide adequate oversight of the Treasurer's duties and the former Mayor's salary?

Scope and Methodology

We examined controls over the Village Hall building project and other selected financial activities for the period March 1, 2012 through July 12, 2013. We extended our scope period to March 1, 2011 to obtain additional information for our review of the Village Hall building project.

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 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 indicated they plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of 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.

Subsequent to the initial release of this audit report, the former Mayor, Deputy Mayor and Treasurer objected to certain information contained in the report and asserted that Village officials in office during the audit did not provide accurate information and documentation. We have reviewed additional information and added footnotes to the report to clarify issues raised by these former officials.

Village Hall Building Project

Capital projects are long-term projects which require relatively large sums of money to acquire, develop, improve or maintain capital assets such as land, buildings and roads. Each capital project must have a separate account and budget, to establish and control costs. All capital projects must be properly planned so that an accurate estimate of costs may be determined. Proper planning can help minimize the possibility of cost overruns.

After Hurricane Irene on August 28, 2011, the Village took over a foreclosed empty building located at 9 Fairlawn Drive, Washingtonville (which subsequently became the current Village Hall) to use as a temporary emergency shelter for hurricane victims. The process the Board and Village officials followed to acquire the current Village Hall and the subsequent measures they took to renovate the building did not provide Village taxpayers with transparency and accountability. Village officials took on \$1.5 million in debt to purchase and renovate the building. However, they could not provide documentation to support the maximum amount of the \$1.5 million debt because they only knew the purchase price of the building and did not obtain cost estimates to determine the actual cost of the renovation. During the audit period, the Village spent over \$1 million to acquire and renovate the building. However, the second floor of the building is still unfinished and unable to be used more than three years after starting this project. If the Board and Village officials had exercised due diligence, Village taxpayers would not be burdened with \$1.5 million in debt for a project that remains unfinished.

Planning

Capital projects require proper financial planning and a thorough understanding of the overall scope and cost. Proper planning entails establishing a written plan that clearly defines the scope of the project, realistic cost projections, sources and methods of funding, project timeline and other criteria prior to the start of the project. Realistic cost projections require an initial comprehensive cost analysis so that municipal officials will have the necessary information to make informed decisions. Initial comprehensive analysis can help a municipality properly plan the methods and costs of financing the project and inform taxpayers of the amount needed to complete the project to required specifications.

The Board is ultimately responsible for the oversight and management of the Village's capital projects, even though it delegated the day-to-day general administration, coordination and supervision of Village operations to the Mayor. As such, the Board and Mayor are

collectively responsible for ensuring that capital projects are properly planned. Failure to adequately and properly plan a capital project could lead to significant waste of resources.

The Board and Village officials did not exercise due diligence when they elected to purchase the parcel of property, including the existing structure, to convert to use as the Village Hall. Prior to the hurricane, the Village Hall was located at 29 West Main Street in Washingtonville. On August 27, 2011, Village officials declared a state of emergency and took over an empty two-story building located at 9 Fairlawn Drive in Washingtonville. At the time, this building was a foreclosed property owned by a local bank. The Village used the building as an emergency staging area and a shelter area for residents. In September 2011, less than one month after moving into the temporary building, the former Mayor negotiated with the building's owner and agreed to lease it for \$3,000 per month, effective September 1, 2011. On November 8, 2011, Village officials executed a lease agreement for this property and paid \$9,000 for three months' rent – September through November 2011. On the same date, the former Mayor executed a proposed sale-purchase agreement for the property and paid a contract deposit of \$50,000. On April 4, 2012, the Village paid \$935,000 to purchase the property.

Village records showed that, after the hurricane, the Village's engineering firm and the Village Code Enforcement Officer inspected the old Village Hall building on August 31, 2011 and September 3, 2011, respectively. The structural engineer recommended that the building be condemned based on concerns about the structural integrity of the building's foundation. Similarly, the Code Enforcement Officer determined that the storm damaged 78 percent of the building's structure.

The Board adopted a resolution on November 7, 2011 to demolish the old Village Hall and it was demolished at the end of the month. On March 10, 2012 and March 22, 2012, Village officials applied for \$211,006 of Federal Emergency Management Agency (FEMA) assistance for items to restore or repair the old Village Hall (even though it had been demolished) and \$65,728 for content items that were damaged during the flood. FEMA disapproved both of the Village's applications, stating that the old Village Hall would have been eligible for FEMA funding for repair under the public assistance program if the building remained in place. Further, Village officials could not provide FEMA with inventory documentation of items purchased prior to the flooding for verification.

In an October 2012 Board meeting, the former Mayor stated that Village officials did not have to notify FEMA before they decided

to demolish the old Village Hall. He gave several reasons, including that the building was a hazard to the public and was in disrepair, it had odors, and it contained mold and was dangerous. The former Mayor also stated that it was condemned by the Village's Code Enforcement Officer and the Village's structural engineers. Because the Board demolished the old Village Hall before FEMA had a chance to inspect the extent of the damage, the Village forfeited the opportunity to receive about \$280,000 in FEMA funding for repairs and content items replacement.

On November 7, 2011, the Board adopted a resolution to authorize the Village to issue serial bonds not to exceed \$1.5 million to acquire and renovate the current Village Hall property to be used as the Village Hall and Police Department Complex. The Village had leased this property since the hurricane. The cost of the property, including the existing structure, was not to exceed \$935,000 and the renovation to convert the existing structure for use was estimated at a cost not to exceed \$565,000. On November 8, 2011, the former Mayor executed a sale-purchase contract and submitted a check for \$50,000, dated October 25, 2011, as down payment for the purchase. On March 13, 2012, the Village issued a bond anticipation note (BAN) for \$1.5 million for property acquisition and construction costs. The BAN was payable on March 13, 2013 at an annual interest rate of 1.06 percent. On April 4, 2012, Village officials closed the purchase of this property for \$935,000.

The Board and Village officials did not develop a proper and adequate plan that clearly stipulated the project's overall scope and timeline, realistic cost projections and other criteria prior to the start of the project. Village officials could not provide us with evidence that showed how they arrived at the \$935,000 purchase price and the \$565,000 cost estimate for renovations to convert the existing structure for use as the Village Hall. An appraisal is a vital part of a real estate transaction and can help establish a property's value and ultimately protect the seller, buyer and lender. We found no documentation showing that a formal appraisal¹ was done to determine the property's true market value, and no formal analysis was performed to support the amount the Board authorized for renovations. While obtaining an appraisal was not necessary or contingent to acquire BAN money, it would have been in the taxpayers' best interest for Village officials to do so. Because Village officials did not have a formal property appraisal performed, they may have paid more than necessary for the property.

The Board also did not seek information needed from the former Mayor to make informed decisions. Instead, the Board unanimously

¹ The former Mayor stated that he used an appraisal prepared for the bank on June 7, 2010, a year before the building was purchased.

passed a resolution to authorize the Treasurer to issue serial bonds not to exceed \$1.5 million to acquire and renovate a parcel of real property without documentary evidence, such as an appraisal, scope of work and cost estimates, supporting the maximum amount being authorized. We found no evidence that Village officials hired an architect to assess the work needed to convert the existing structure for use as the Village Hall and estimate the renovation cost.

It is understandable that, in a state of an emergency, Village officials would take measures necessary to minimize service disruption. However, after the emergency and immediate danger was over, it was important for the Board and Village officials to exercise care and caution or due diligence before committing taxpayers to financial obligations without adequate planning. Village officials² acted timely to find a temporary location for the Village Hall after the hurricane. However, after they had secured the space for lease, they had ample time to search and plan for acquiring a permanent Village Hall location. We found no evidence that Village officials considered and evaluated other suitable options or alternatives prior to making the decision to purchase and renovate the temporary shelter, now the Village Hall.

Renovation – Good business practice dictates that Village officials prepare a cost analysis to establish the maximum cost of any construction project. In this case, such an analysis should have included the costs to complete the renovation in-house compared to contracting out, to help the Board evaluate both options and decide which one was more appropriate.

Village officials did not prepare a comparative cost analysis to support their decision to use Village Department of Public Works (DPW) employees, instead of outside contractor(s), to perform the renovation project. In the June 4, 2012 Board minutes, without any supporting information, the former Mayor asserted that, by using DPW employees to do the renovation work, the Village did not have to seek competitive bids, which would provide savings to the taxpayers. The former Treasurer also stated that the Village did not have enough money to hire outside contractors, even though Village officials did not obtain bids or perform a cost analysis.

Village officials purchased approximately \$10,000 of materials and supplies and assigned six DPW employees to work overtime and on holidays to renovate the second floor of the building. In the June 4, 2012 Board minutes, the former Mayor stated that the Village Engineer would oversee the construction and work with the Village Building

² The former Mayor stated that he, not the Board, acted in a timely manner to find a temporary location.

Inspector. He put a Board member and the Chief of Police in charge of the drawings for the Police Department. The former Mayor stated that he is a contractor and has knowledge of prevailing wages and the cost of contracting the work out would be more than what the Village would pay the DPW employees. In six months (March through July 2012 and November 2012), the Village spent \$22,294 for 602 hours of overtime for six DPW employees to renovate the second floor of the building. The renovation included electrical work. Orange County requires that workers be licensed in this field to ensure that the work is completed correctly. We found no evidence that the DPW employees were licensed professionals or that the Village Engineer oversaw their work.³

On July 2, 2012, the Board passed a resolution that stated, in part, that the Board had not been provided with any plans for the building's construction and associated costs. The Board terminated all construction/renovation work until it was provided with full disclosure and received a planned layout, plan of construction and all financial information. Such information included the \$1.5 million BAN and an accounting for the \$565,000 intended for the renovation. The resolution also stated that all project expenditures and transfers must be approved by the Board. On November 5, 2012, the Board passed another resolution stating that each Board member must be provided a copy of all keys or lock combinations necessary to enter the second floor of Village Hall. Village officials informed us that, even after the Board resolution was passed, work was still being performed until the Board eventually was able to enforce the resolution to stop work on the building.

As of April 2015, three years after the start of the project, Village records showed that only \$172,836 of the \$565,000 BAN proceeds the Board approved for renovation were unused. Meanwhile, the second floor of the building remained incomplete and unusable. For example, there are piles of wood, unfinished plumbing and electrical wiring work and exposed outlet wires hanging from the ceiling. Had Village officials properly planned this project, by performing an initial cost analysis and monitoring its progress, the project may have progressed in a more timely and cost effective manner.

Accounting Records

Complete and accurate accounting records for capital projects are necessary for proper financial reporting and monitoring. Financial records for each capital project must contain sufficient information to document the project's complete financial history and establish accountability for resources. Maintenance of individual capital project records assists management in monitoring the status of the project

³ The former Mayor stated that he complied with the Village's Local Law, which does not require licensing.

and provides the governing board with the information necessary to ensure that expenditures are within the amounts authorized and funding sources are used in accordance with the approved plan of financing. Effective monitoring can help ensure that the project is progressing as expected and within the budgeted appropriations. In addition, accurate financial reports must be prepared to document work completed and track expenditures.

The former Treasurer did not maintain complete and accurate records⁴ to account for the BAN proceeds received for the acquisition and renovation project. Prior to the issuance of the BAN in October 2011, the Village used \$50,000 from the general fund to make the down payment for the purchase of the Village Hall. The former Treasurer made a journal entry to reflect the payment made and tracked expenditures to be repaid until the BAN proceeds were received. However, the former Treasurer continued to pay expenditures for the project from the general fund even after the Village received the BAN proceeds.⁵

Without proper accounting records, the former Treasurer was unable to provide the Board with periodic financial information necessary to monitor the renovation project and ensure that expenditures were for project purposes and in accordance with the approved plan of financing.⁶ If the Board had received reports showing that the project was progressing as expected and within the budgeted expenditures, it may not have adopted a resolution to stop the renovation work.

During the audit period, the Village expended over \$1 million to acquire and renovate the Village Hall building. Because the Board did not exercise adequate oversight, the Village Hall has an incomplete and unusable second floor. As of April 2015, three years after the start of the project, only \$172,836 of the \$565,000 BAN proceeds the Board approved for renovation were left.

Recommendations

The Board should:

1. Establish internal controls to ensure that capital projects are planned, monitored and accounted for properly, and ensure that capital project activities are transparent.

⁴ The former Treasurer stated that she believes she maintained complete and accurate records of the BAN proceeds. However, she acknowledges that she initially did not maintain separate records of the BAN proceeds. As stated in the report, the Board passed a resolution to stop construction/renovation work due to the lack of financial and non-financial information.

⁵ In July 2012, the former Treasurer opened and maintained a separate account to track the BAN proceeds.

⁶ The former Treasurer stated that she prepared and provided monthly reports to the Board. However, during our audit fieldwork, Board members stated that they did not receive periodic financial reports for the new Village Hall project.

2. Assess the Village Hall's current condition and develop a plan to complete the project.
3. Review the development process for future capital projects to ensure that enough time is available to provide for proper planning.
4. Ensure that the Treasurer maintains accurate and complete accounting records for all capital projects. Periodic reports should be prepared, comparing expenditures for each capital project to the related amount budgeted, to help ensure that funds are available for expenditure and that expenditures are kept within the project's authorization.
5. Require that financial and project progress reports be provided to the Board on a monthly basis. These reports should show the authorization for each capital project, expenditures and encumbrances to date and available authorizations.

Board Oversight

The Board is responsible for providing oversight of the Village's operations. It must ensure that policies and procedures are in place so that cash and other resources are properly safeguarded and that transactions are properly authorized and accurately and timely recorded. The Board also must establish controls over payroll and have a thorough and deliberate process for evaluating the budget each year to ensure that employees are paid wages and salaries and provided benefits to which they are entitled. In addition, because payroll and fringe benefits represent a significant Village cost, it is important that the Board ensure that approved wages are processed and paid correctly.

The Board needs to improve its oversight of Village operations. The lack of segregation of the Treasurer's duties (and absence of management and Board review of her work) resulted in cash disbursements errors occurring without detection and correction. Specifically, we found material discrepancies with 12 disbursements we reviewed totaling \$9,331. We also found that the Treasurer did not properly fund the payroll account, which caused it to be both overfunded and underfunded throughout the year. Further, the lack of Board oversight of the former Mayor's activities allowed for an increase of \$4,000 to his annual salary without following the applicable law. If the Board does not improve its oversight of Village operations, errors and irregularities could continue to occur without detection or correction.

Treasurer's Duties

An effective system of internal controls requires the segregation of incompatible tasks and responsibilities (i.e., authorization, recordkeeping and custody) among various employees. Separating key tasks and responsibilities, such as preparing, signing and disbursing checks, recording cash transactions and reconciling bank accounts, reduces the risk of errors or irregularities. If it is not feasible for Village officials to segregate incompatible duties, they should implement compensating controls, such as management review.

The Board did not develop policies and procedures to safeguard Village assets. We were informed by current Village officials that the former Treasurer performed key financial duties, including recording and depositing money received at the Village, without management review

or Board oversight.⁷ We were told that the former Treasurer prepared claims warrants and processed and signed vendor checks. She also reconciled book balances to adjusted bank balances, which could have detected any discrepancies between the Village's accounting records and the activity in Village bank accounts. The benefits of checks and balances are diminished when bank reconciliations are performed by the same person who handles receipts and disbursements and maintains the records. In addition, current Village officials informed us that the former Treasurer processed checks without proper Board approval.⁸ Even though the former Treasurer's duties were not properly segregated, based on the information provided by current Village officials, we found no evidence that the former Mayor or the Board reviewed her work.

Manual Check Disbursements – We reviewed disbursements from March 1, 2012 through July 8, 2013 to determine whether payments were properly supported and authorized and whether they complied with Village policy. The former Treasurer processed an excessive number of manual checks; therefore, we focused our testing on manually prepared checks. Also, the former Treasurer maintained two separate sets of checks with different check number series for the same account. The Board had no knowledge of the two sets of checks. The former Treasurer used one set of checks through the financial system, and the other set was a regular checkbook. The former Treasurer used both manual and system checks to process payments. A Board member told us he believes the checkbook was given to the Village when the former Treasurer and former Mayor opened this bank account.

We tested 55 of the 232 manual cash disbursement transactions totaling \$62,442⁹ to determine whether they were properly approved and for Village purposes. We found 12 discrepancies totaling \$9,331. For example, Village officials were unable to locate vouchers for five checks totaling \$4,886. Two of these payments were for legal services and water delivery. Two checks totaling \$1,954 for mileage

⁷ The former Treasurer believes that Village officials provided us with incorrect information concerning her duties. She stated that her duties were limited and there was a segregation of duties. The former Treasurer told us that she tracked the budget, reconciled bank accounts and paid the Village's expenditures. She indicated that the former interim Clerk and Clerk handled payroll and accounting for the water and sewer fund and that the former Deputy Clerk made bank deposits. Accordingly, the former Treasurer performed all key financial duties, except payroll.

⁸ The former Treasurer told us that the Board approved warrants before she paid claims. As noted in the report, the former Treasurer paid two claims that the Board did not approve.

⁹ We judgmentally selected manual checks to review by selecting every eighth voucher.

and escrow reimbursement were not approved by the Board. The remaining five discrepancies had inadequate documentation to support the payments. Therefore, the Board cannot be sure if they were for valid Village purposes.

Payroll Manual Disbursements – We also found that the Board and Village officials did not establish comprehensive written policies and procedures for payroll processing. As a result, the payroll account was not properly funded and payroll transactions were not properly processed, exposing the payroll account to errors.

The former Treasurer created checks for the payroll account in the cash disbursements system for the entire year (in sequential order).¹⁰ Payroll checks that were entered into the cash disbursements system were processed manually and with fictitious check numbers.¹¹ Specifically, we found checks made payable to the payroll account that did not exist. Instead, the payroll transactions were processed through a journal entry. Consequently, the former Treasurer processed manual checks to pay vendors that had the same check numbers she used to process the payroll checks with her assigned fictitious numbers. If payroll was processed using actual check numbers or another numbering system, the duplication may not have occurred.

To determine if money from the general fund account was deposited into the payroll account, we selected and tested all 73 manual payroll checks for the 2012-13 year totaling \$2,548,952 and found seven exceptions. Specifically, we found four instances where the payroll account was overfunded by a total of \$2,238 and three instances where it was underfunded by a total of \$1,859. The overfunding could result in improperly diverting the excess funds for non-Village purposes. Conversely, employees would not be able to cash their paychecks if the payroll account was underfunded.

It is essential that the Board establish procedures to ensure that payroll is properly processed and funded. Due to the lack of segregation of incompatible duties and management review, there is an increased risk that inappropriate transactions could occur and not be detected.

Former Mayor's Salary

The Board is responsible for the budget approval process, which includes approving all salaries and wages paid to Village officials and employees, including the Mayor. The budget process includes the Mayor preparing a proposed budget and the Board reviewing and adjusting amounts as the Board deems appropriate with

¹⁰ The former Treasurer told us that she did not prepare the payroll, which she indicated was the responsibility of the Clerk.

¹¹ No physical checks were actually processed and issued. The former Treasurer used the check numbers for tracking purposes.

certain limitations. According to New York State Village Law, the tentative budget must include a schedule of wages and salaries to be paid, subdivided by administrative units, showing, for each office (including the Mayor and the Treasurer) or position of employment, the title, the number of persons in the title, the recommended rate of compensation for the title and the total recommended appropriation for the title. In addition, the public hearing notice for the tentative budget must state the compensation proposed to be paid to each Board member, including the Mayor. Because payroll and fringe benefits represent a significant cost to the Village, it is important that the Board ensures that approved wages are processed and paid correctly and the Treasurer prepares and submits periodic payroll reports to the Board.

Due to the apparent lack of Board oversight of the former Mayor and former Treasurer's activities, we selected and reviewed the budget and payroll transactions for the period March 1, 2011 through May 10, 2013 to determine whether the former Mayor's and former Treasurer's salaries were properly set forth as part of the budget process and paid correctly. Specifically, we reviewed all 25 payments to the former Mayor totaling \$27,214 and all 115 payments to the former Treasurer totaling \$105,645. We did not find any significant exceptions with the former Treasurer's salary. However, we determined that the former Mayor's salary was increased by \$333 a month, beginning in fiscal year 2012-13, without following all of the requirements for the budget adoption in Village Law. We found that, although the Board approved the budget that included the Mayor's raise, there was no evidence that the public hearing notice for the tentative budget included the proposed compensation for the Mayor.¹² Also, there was no evidence that the tentative budget included a salary schedule listing the former Mayor's (and the Board members') salaries. For the 13-month period prior to his departure, the former Mayor received a total of \$4,333 that was not set forth in the notice of hearing on the budget or listed in a budget salary schedule. Two Board members told us they did not know that the former Mayor received these additional payments until we brought it to their attention.

By not closely monitoring and managing the Village's financial activities, including reviewing the Mayor's proposed budget and the notice of hearing on the budget, the former Mayor's salary was increased without following certain requirements in the budget adoption process.

¹² The former Mayor told us that his salary increase was included in the budget along with increases for other employees. However, as stated in the report, the former Mayor's salary increase was not set forth in the notice of hearing on the budget or listed in a budget salary schedule.

Recommendations

The Board should:

6. Take immediate action to strengthen the Village's control environment by developing policies to properly oversee and monitor Village operations.
7. Ensure that incompatible duties are appropriately segregated or mitigating controls are in place.
8. Ensure that the notice of public hearing for the proposed budget discloses the compensation proposed to be paid to each Board member.
9. Ensure that the proposed budgets includes salary schedules that clearly show, for each office or position of employment, the title, the number of persons in the title, the recommended rate of compensation for the title and the total recommended appropriation for the title.
10. Review the Mayor's proposed budget closely and carefully to gain a full understanding of the contents prior to approving or amending the budget.
11. Consult the Village attorney to assess whether the failure to include the Mayor's salary in a salary schedule as part of the budget and the failure to list the Mayor's salary in the notice of hearing on the budget would constitute grounds to seek recoupment.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

*Village
of
Washingtonville*

Mayor
David J. Heintz

Trustees
Joe Galante
Jacqueline Polman
Christopher Spear
Edwin Figueroa

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Village Clerk
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Sewer
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Police Department
496-9123
Department of Public Works
496-1032
Water
496-1034

July 29, 2015

State of New York
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Comptroller DiNapoli:

The Village Board of the Village of Washingtonville has received and reviewed the Village Hall Building Project and Board Oversight and Report of Examination Number 2015M – 037 for the period March 1, 2011 – July 12, 2013.

The Village acknowledges that the aforementioned recommendations are reasonable concerns, and will implement the State of New York Comptroller suggestions. The Village Board is thankful for the professional, courteous manner of the State Auditors, and appreciates the assistance in identifying areas in which improvements are advised.

Recommendations have been given serious consideration and a corrective action plan is in the process of being completed.

Very truly yours,

MAYOR DAVID J. HEINTZ

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We reviewed the Village's internal controls over financial management practices for the period March 1, 2012 through July 12, 2013. To accomplish our objective and obtain relevant audit evidence, we interviewed appropriate Village officials and employees; reviewed the Village's policies, records and reports; examined pertinent documents; and performed the following procedures:

- We scanned all cleared check images for signatures and verified check numbers and amounts to determine if they were appropriate Village disbursements.
- We scanned cash disbursement reports for all manual checks for our audit period. We examined the related invoices and forms for these disbursements to ensure the expenditures were for proper Village purposes.
- We scanned the Village's bank statements for withdrawals and transfers out (non-check disbursements) and traced each of these disbursements to deposits or transfers to another Village account or to supporting documentation such as payroll records to verify they were appropriate Village disbursements.
- We reviewed Board minutes to determine the timing and nature of events, including the Village Hall project.
- We interviewed Board members, department heads and the Treasurer.¹³
- We reviewed vouchers for proper approval, purpose, amount, date and check number.
- We reviewed check images to ensure that payee, amount and check number were the same as the information in the financial system.
- We reviewed timesheets and payroll records for hours worked and amount paid.
- We reviewed the BAN for amount and purpose.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

¹³ Subsequent to the initial release of the report, we met with the former Mayor, Deputy Mayor, Treasurer and Clerk.

APPENDIX C

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