

# Village of Remsen

## Clerk-Treasurer's Records and Reports

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JANUARY 2021

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Village of Remsen

### Audit Objective

Determine whether the Village of Remsen (Village) Clerk-Treasurer maintained adequate records and reports to allow the Board of Trustees (Board) to properly manage Village finances.

### Key Findings

The Clerk-Treasurer did not maintain adequate records and reports to allow the Board to properly manage Village finances.

- Required annual financial reports were not completed or filed with the State Comptroller's Office (OSC) for any of the last four years (2015-16, 2016-17, 2017-18 and 2018-19).
- Fund transfers were not properly recorded.
- Inadequate financial reports were provided to the Board.
- The Board did not annually audit the Clerk-Treasurer's records and reports, as required.

### Key Recommendations

- File the required annual financial report with OSC within 60 days after the close of the fiscal year.
- Maintain complete, accurate, and timely financial records.
- Conduct or arrange for an audit of the Clerk-Treasurer's records and reports on an annual basis.

Village officials agreed with our recommendations and indicated they plan to initiate corrective action.

### Background

The Village of Remsen is located in the Towns of Remsen and Trenton in Oneida County (County). The Village provides various services to its residents including street maintenance and repair, general governmental support, fire protection and water and sewer services. These services are primarily funded by real property taxes, sales tax and user fees.

The Village is governed by an elected Board composed of a Mayor and four Trustees. The Board is responsible for the general management and control of finances and operations. The Mayor is the chief executive officer. The Board-appointed Clerk-Treasurer is the chief fiscal officer and custodian of all funds, responsible for receiving and disbursing money, maintaining accounting records and preparing monthly and annual financial reports.

#### Quick Facts

2019-20 Appropriations	\$154,145
2018-19 Expenditures	\$154,445
Population	508
Employees	10

### Audit Period

June 1, 2018 – November 30, 2019

We extended our audit period back to June 1, 2015 to review the timeliness of required annual report submissions.

# Clerk-Treasurer's Records and Reports

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## How Should a Clerk-Treasurer Maintain Records and Reports?

New York State Village Law requires a clerk-treasurer to keep a complete and accurate account of receipt and disbursement of all money using proper accounting procedures.<sup>1</sup> To ensure financial transactions are recorded in a complete and accurate manner, a clerk-treasurer should prepare monthly bank-to-book cash reconciliations to ensure that bank account balances agree with the corresponding cash balances in the accounting records.

The Board should ensure the duties of collecting and disbursing cash, recordkeeping and reconciling accounts are adequately segregated or implement compensating controls, such as providing adequate oversight, to reduce the risk that errors and irregularities could occur and go undetected. In addition, the board should ensure there is separate accountability to identify individuals who enter transactions into the computerized financial records.

A clerk-treasurer typically uses interfund receivable and payable accounts to record temporary advances of money from one fund to another fund. New York State General Municipal Law requires the money be repaid no later than the close of the fiscal year in which the advance was made.<sup>2</sup>

In addition, the clerk-treasurer should provide periodic financial reports to the board to allow monitoring of village financial affairs throughout the year. The clerk-treasurer is also required to file annual financial reports, known as AUDs, with OSC within 60 days after the close of the fiscal year.<sup>3</sup> This report provides the board, OSC, village taxpayers and other interested parties with a tool for monitoring financial operations.

The board is required to annually audit, or have a village officer, employee, or an independent public accountant audit, the clerk-treasurer's annual financial report and supporting records.<sup>4</sup> An annual audit serves as an important internal control over cash receipts and disbursements by providing independent verification that transactions are properly recorded and cash is properly accounted for.

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The clerk-treasurer is ...required to file annual financial reports...with OSC within 60 days after the close of the fiscal year.

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1 New York State Village Law (Village Law), Section 4-408

2 General Municipal Law (GML) Section 9-a

3 The 60-day filing requirement applies to villages with a population less than 5,000. The clerk-treasurer may request a 60-day extension from the State Comptroller's office.

4 Village Law, Section 4-408

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## The Clerk-Treasurer Did Not File Required Annual Reports

The Clerk-Treasurer did not submit AUDs to OSC or the Board in a timely manner. An AUD has not been submitted for any of the last four completed years with the most recent on file submitted in May 2016 for 2014-15.<sup>5</sup> The Deputy Mayor (Deputy) volunteered to prepare and submit AUDs on the Clerk-Treasurer's behalf. However, the Deputy said she was unable to file the 2015-16 AUD, or AUDs thereafter, because fund balances were misstated due to errors in recording transfers between funds.<sup>6</sup>

When AUDs are not filed in a timely manner, the Board, taxpayers, OSC and other interested parties are denied the ability to assess the Village's financial standing and the transparency of operations is diminished.

## The Clerk-Treasurer Did Not Properly Record Cash Transfers Between Funds

The Clerk-Treasurer transferred cash between funds for various reasons, including to allocate money received to the appropriate fund. These transfers were recorded in the financial software using interfund receivable (due from) and payable (due to) accounts. We reviewed balance sheet reports as of November 12, 2019 and found that the general, water and sewer funds showed outstanding balances in these accounts (Figure 1).<sup>7</sup>

**Figure 1: Interfund Receivable and Payable Balances as of November 12, 2019**

Fund	Due From Other Funds	Due To Other Funds	Difference
<b>General</b>	(\$729,511)	(\$561,596)	
<b>Water</b>	(\$46,068)	(\$155,950)	
<b>Sewer</b>	0	(\$33,500)	
<b>Total</b>	<b>(\$775,579)</b>	<b>(\$751,046)</b>	<b>\$24,533</b>

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5 The Village's fiscal year runs from June 1 through May 31.

6 Refer to The Clerk-Treasurer Did Not Properly Record Cash Transfers Between Funds.

7 The Clerk-Treasurer generated the monthly reports on the day of the Board meeting.

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While the Clerk-Treasurer used these accounts to record cash transfers between funds, she did not properly account for these transactions. The Clerk-Treasurer told us that many transfers were necessary because cash receipts, attributable to more than one fund, were deposited together into the same bank account. For example, because Village residents paid both water and sewer charges in one check, this required the Clerk-Treasurer to allocate these funds between the water and sewer funds. In such cases, the Clerk-Treasurer said she transferred cash between the funds and recorded the transfers using the interfund receivable and payable accounts.

The Clerk-Treasurer recorded the bulk of these interfund transactions several years ago, before our audit period, but these transactions continued to impact current interfund receivable and payable balances. When correctly recorded, no balances should have remained in these accounts after the transfers occurred. Furthermore, when compared across all funds, interfund receivables should always equal interfund payables. However, the receivables exceeded payables by \$24,533. In addition, interfund receivable and payable balances should be positive, not negative as shown in the financial records.

The Clerk-Treasurer told us that she did not receive training on how to properly record transfers between funds and did not fully understand the entries she made. Also, although negative balances were displayed on the monthly balance sheet reports submitted to the Board, Board members did not question these amounts or require the Clerk-Treasurer to make adjusting entries. Furthermore, given the balances in the interfund receivable and payable accounts, officials were unsure how much each fund actually owed another fund(s).

The negative interfund receivable and payable balances materially affected general, water and sewer fund balances and hindered the Clerk-Treasurer's ability to produce accurate financial reports.<sup>8</sup>

### **Oversight of the Clerk-Treasurer's Duties Could Be Improved**

The Clerk-Treasurer performed several key functions of the cash receipts and disbursements process including collecting and depositing cash receipts, printing and signing checks, making bank transfers, processing payroll and recording transactions in the financial records. A clerk assisted the Clerk-Treasurer, in a limited capacity, primarily collecting payments and issuing receipts in the Clerk-Treasurer's absence.

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<sup>8</sup> Refer to The Clerk-Treasurer Generated Inadequate Financial Reports.

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To provide oversight of the Clerk-Treasurer's duties, the Board assigned the Deputy to open and review bank statements and prepare monthly bank reconciliations. If the Deputy identified errors or discrepancies while preparing the bank reconciliations she noted her findings on the reconciliations and asked the Clerk-Treasurer to make corrections in the financial records.

However, once the Deputy gave the bank reconciliations to the Clerk-Treasurer, no follow-up was conducted to ensure the appropriate corrections were made. Further, to prepare the bank reconciliations, the Deputy logged into the financial software using the Clerk-Treasurer's username and password. This practice diminishes accountability because any identified errors or irregularities in the financial records cannot be traced to a specific user.

We reviewed the most recently available bank reconciliations, completed as of October 31, 2019. We found that adjusted bank balances generally agreed to cash balances in the financial records. However, we identified various outdated reconciling items. For example, three deposits-in-transit (DIT) totaling \$1,015 and nine outstanding checks totaling \$1,622 were not properly voided. The oldest DIT was dated December 15, 2018 while the oldest outstanding check was issued on February 6, 2016.

After interviewing the Clerk-Treasurer and reviewing financial records and audit logs, we found that most of these items remained on the bank reconciliations because the Clerk-Treasurer did not make the necessary accounting entries or made entries in error. Although the Deputy flagged many of these items for the Clerk-Treasurer to correct, because she did not follow-up with the Clerk-Treasurer, the items remained uncorrected.

Because of the limited oversight of the Clerk-Treasurer's duties and identified issues regarding transfers and outdated items on bank reconciliations, we performed additional testing of cash receipts and disbursements to determine whether funds were properly recorded and administered.<sup>9</sup>

Aside from minor discrepancies, which we discussed with Village officials, all receipts were properly recorded and deposited, disbursements were recorded and paid as authorized and outgoing transfers were for appropriate purposes.

Without adequate oversight of the Clerk-Treasurer's duties, errors and irregularities occurred and went undetected and uncorrected. Furthermore, when access credentials to the financial system continue to be shared and questionable entries are made, officials could have difficulty holding an individual accountable.

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<sup>9</sup> Refer to Appendix B for information on our sampling methodology.

## The Clerk-Treasurer Generated Inadequate Financial Reports

The Clerk-Treasurer generated financial reports that were provided to the Board during monthly meetings. The two primary reports the Clerk-Treasurer generated were balance sheet and budget-to-actual reports. Our review of these reports identified various errors and inaccuracies.

The balance sheet reports included each fund’s cash balance and the balances of other assets and liabilities. The reports also show fund balance for the period, the difference between each fund’s total assets and total liabilities.

We reviewed balance sheet reports for the general, water, sewer and fire funds as of November 12, 2019. We traced reported cash balances to adjusted bank balances and found they generally matched for all funds. In addition, the fund balance reported for the fire fund accurately reflected the fund’s financial position. However, the general, water and sewer fund balances were inaccurate because of the previously discussed interfund receivable and payable balances erroneously reported within these funds.

Absent these improperly reported interfund account balances, the general, water and sewer funds had only cash assets and no material liabilities. As a result, fund balances likely would have equaled the cash assets in these funds and not the amounts reported (Figure 2).

**Figure 2: Estimated Effect of Interfund Accounts on Fund Balance**

Fund	Fund Balance			Percentage Difference
	As Reported	Without Interfund Account Balances	Difference	
<b>General</b>	(\$114,894)	\$53,021	\$167,915	146%
<b>Water</b>	\$242,673	\$132,791	(\$109,882)	(45%)
<b>Sewer</b>	\$228,408	\$194,908	(\$33,500)	(15%)

The budget-to-actual reports the Clerk-Treasurer submitted to the Board showed a comparison of appropriations to actual year-to-date expenditures and identified the amount that actual expenditures exceeded or were less than appropriations. This comparison allowed the Board to monitor spending and make budgetary transfers as necessary to prevent or correct overdrawn appropriation accounts.

These reports also showed actual year-to-date revenues received. However, the reports did not include estimated revenues. Furthermore, our review of budget-to-actual reports for November 12, 2019 (almost half way into the fiscal year) revealed operating deficits in the general, sewer and fire funds. Without budgeted revenues available to compare against revenues received, the Board was unable to determine whether the deficits were the result of revenue shortfalls, which may



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require the need to take corrective action (such as curtailing spending or appropriating fund balance), or if additional revenues were expected to be received later in the year.

Because the Board did not receive accurate financial reports, it was unable to properly evaluate the Village's financial position, make informed financial decisions or properly monitor and manage operations.

### **The Board Did Not Annually Audit the Clerk-Treasurer's Records and Reports**

The Board did not audit, or provide for an audit of, the Clerk-Treasurer's records and reports. Officials told us they thought reviewing the monthly reports satisfied the annual audit requirement.<sup>10</sup> The failure to perform an annual audit diminished the Board's ability to monitor financial operations. If the Board had conducted an annual audit, it may have identified the Clerk-Treasurer's recordkeeping and reporting deficiencies and could have implemented corrective action.

### **What Do We Recommend?**

The Clerk-Treasurer should:

1. File the AUD with OSC within 60 days after the close of the fiscal year.
2. Maintain complete, accurate and timely financial records that properly account for transfers between funds.
3. Ensure the recordkeeping errors in the interfund receivable and payable accounts are corrected.
4. Provide monthly budget-to-actual comparisons of revenues and expenditures for each fund and balance sheet reports that accurately display assets, liabilities and fund balance so the Board can properly monitor and manage Village finances.

The Board should:

5. Ensure the Clerk-Treasurer maintains adequate records and reports and files the AUD in a timely manner.
6. Ensure separate usernames and passwords are used to identify which individuals are entering or modifying financial transactions in the computerized accounting records.

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<sup>10</sup> Refer to our publication *Fiscal Oversight Responsibilities of the Governing Board* available on our website at: [https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/fiscal\\_oversight.pdf](https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/fiscal_oversight.pdf)

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7. Conduct or arrange for an audit of the Clerk-Treasurer's records and reports on an annual basis.
  8. Ensure bank reconciliations are reviewed and any differences are investigated and corrected in a timely manner.
  9. Identify potential financial training opportunities for the Clerk-Treasurer.

## Appendix A: Response From Village Officials

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### **Village of Remsen**

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**333 E. Washington Street**

**Syracuse , New York**

**RE: Audit Report 2020M-119**

**Dear Ms. Wilcox**

**This letter is the Village of Remsen's response to the above referenced audit report for the Village of Remsen.**

**The board agrees with all facts and recommendations presented in the Draft Audit report and will be discussing the corrective measures. The board will be discussing and working collaboratively to make the necessary corrective recommended actions outlined on page 8 of above mentioned audit.**

**The Board and myself would like to thank the Audit team for their patience , professionalism and thoroughness for the Village of Remsen.**

**Sincerely**

**Martin Flint**

**Mayor of Remsen**

**Date 11/10/2020**

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## Appendix B: Audit Methodology and Standards

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We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Village officials and reviewed financial records and reports to obtain an understanding of the controls over the financial recording and reporting process.
- We reviewed bank reconciliations for all accounts associated with the main operating funds for October 31, 2019 to determine whether they were accurately completed, adjusted bank balances agreed with recorded cash balances and to identify and assess all reconciling items. We used our professional judgment to select a sample of three additional reconciliations, completed for June 2018, January 2019 and September 2019, and reviewed them for any unsupported balancing items.
- We reviewed copies of the Clerk-Treasurer's November 12, 2019 monthly reports to the Board to determine whether they were accurate and contained the detail necessary for the Board to properly monitor and manage finances. We also assessed the reasonableness and accuracy of any interfund receivable and payable balances as shown on the monthly reports and determined how these accounts were used during our audit period by reviewing detailed general ledger entries.
- We used our professional judgment to select the three largest revenue sources based upon the adopted 2018-19 budget (real property taxes, sales tax and water and sewer payments) and reviewed \$166,181 of these revenues to determine whether cash received was properly recorded and deposited. We compared the tax warrant amount to all real property taxes collected and recorded for 2018-19. We compared all sales tax payments remitted by the County to the amount recorded and deposited during our audit period. We judgmentally selected the most recently completed month of October 2019 and randomly selected a month from the previous fiscal year (January 2019) and reviewed all water and sewer payments received during these months totaling \$8,247 to determine whether they were properly recorded and deposited.
- We used the selected months from our review of water and sewer payments (January and October 2019) and reviewed all 75 non-payroll disbursements totaling \$27,088 that occurred during these months to determine if they were recorded and paid as authorized. We also reviewed all 15 payroll disbursements totaling \$13,052 (including two for the Clerk-Treasurer totaling \$2,345) made during these two months to determine whether the amounts recorded and paid were in accordance with Board approved salaries or time sheets.

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- We reviewed all additional payments made to the Clerk-Treasurer (16 payments totaling \$18,900) to ensure that all payments during our audit period matched the Clerk-Treasurer's Board approved salary. In addition, we used our professional judgment to select a sample of 15 high-risk non-payroll disbursements totaling \$10,495 during our audit period to ensure they were recorded and paid as approved and for proper purposes. High-risk claims were those that posed a higher risk of being inappropriate, such as those for large or rounded dollar amounts, excessive or repetitive purchases, payments to inappropriate vendors, credit card or utility companies and payments to Board members and the Clerk-Treasurer.
  - We identified all journal entries made that decreased cash during our audit period by obtaining and reviewing detailed general ledger reports for all cash accounts. For all decreases identified, we interviewed officials and reviewed audit logs to determine whether the decreases were appropriate and supported.
  - We used our professional judgment to select the most recently reconciled month of October 2019 and a month from the prior fiscal year (January 2019). We reviewed all the bank statements for these months to determine whether there was any inappropriate withdrawal activity and transfers. We identified and reviewed five outgoing transfers totaling \$4,398 to determine whether they were made for proper purposes.

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.

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.

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 provided to our office within 90 days, pursuant to Section 35 of 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 the CAP available for public review in the Clerk-Treasurer's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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## Contact

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