

Town of Saranac

Town Clerk Operations

FEBRUARY 2022



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

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Report Highlights

Town of Saranac

Audit Objective

Determine whether the Town Clerk (Clerk) recorded, deposited, remitted and reported all collections received in a timely and accurate manner.

Key Findings

The Clerk did not:

- Record all collections received in a timely and accurate manner.
- Deposit all collections timely and intact. As of October 31, 2018, \$843 in recorded cash collections had not been deposited and were unaccounted for.
- Prepare accountability analyses.

The Board did not:

- Annually audit or obtain an audit of the Clerk's records and reports.

Based upon our audit findings and subsequent investigation, the Clerk was arrested on April 29, 2021 and charged with falsifying business records in the first degree, corrupting the government in the fourth degree and official misconduct. On December 14, 2021, the Clerk pleaded guilty to Attempted Falsifying Business Records in the second degree.

Key Recommendations

- Record receipts for all collections received in the Clerk's software in a timely and accurate manner.
- Ensure accountability analyses are prepared monthly, whereby known liabilities are reconciled to available cash.
- Take appropriate action to recover any money due the Town.
- Annually audit, or cause to be audited, the Clerk's financial records and reports.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town of Saranac (Town) is located in Clinton County.

The Town is governed by an elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of the Town's operations and finances.

The elected Clerk is responsible for collecting a variety of fees and reporting and remitting the corresponding collections to the Supervisor and other appropriate agencies.

Quick Facts

Population	4,000
2018 Appropriations	\$2.4 million
Clerk Collections During the Audit Period	\$20,058

Audit Period

January 1, 2016 – October 31, 2018.

We extended our audit period forward to November 13, 2018 to conduct a cash count of the Clerk's undeposited money on hand.

Town Clerk Operations

The Clerk is responsible for collecting various fees, including, but not limited to, fees for dog licenses, marriage licenses, death certificates and junkyard permits. In addition, collections for building permits, demolition permits and chimney inspections fees are collected by the Code Enforcement Officer and remitted to the Clerk for deposit. The Clerk recorded sequentially numbered receipts in her software program for these collections and deposited them into the Clerk bank account. Payments received by cash, check and money order were deposited at the bank by the Clerk, while credit card payments were deposited electronically into the Clerk bank account.

How Should a Clerk Record, Deposit, Remit and Report Collections Received?

New York State Town Law¹ (Town Law) requires a clerk to keep a suitable record of all money received and to deposit all money collected no later than the third business day after receiving an accumulated amount of \$250. It is also critical that collections be deposited intact (in the same amount and form as received) to reduce the risk of fraud and concealment.

When there is no other evidence of collection (i.e., a copy of a license or permit), a duplicate press-numbered receipt should be issued indicating the payer, date, purpose, amount and type of payment received (i.e., cash or check) with a copy retained to support the collection. The receipts and other supporting documentation help to ensure transactions entered in the accounting records are accurate and traceable from the point of collection to the monthly reports and bank deposits. Town Law² also requires a clerk to submit a monthly verified statement of all money received and remit such money to the supervisor on or before the 15th of the month following receipt and must also report and remit collections to other appropriate agencies.

Collections Were Not Recorded Timely and Accurately

The Clerk did not record all collections received in a timely and accurate manner. We found the Clerk did not record receipts in the Clerk software for collections received for 20 fees totaling \$537 during the audit period, which consisted of one cash payment totaling \$20 and 17 check payments totaling \$517.³ For example, a check totaling \$100 was received for death certificate fees in January 2016, for which there was no corresponding receipt recorded in the Clerk software.

1 New York State (NYS) Town Law Section 30

2 Town Law Section 27

3 Two check payments were for the payment of two fees each.

We also found 23 of the 986 receipts totaling \$946 recorded in the Clerk software during the audit period were not accurately recorded for various reasons. For example, collections for 14 fees totaling \$448 had corresponding receipts recorded in the Clerk software that did not contain the correct type of payment received (i.e., cash or check). Collections for eight fees totaling \$323 were not recorded in the Clerk software in a timely manner including a \$70 death certificate fee paid on August 22, 2018 that was not recorded as a receipt in the Clerk software until 41 days later on October 2, 2018. The Clerk told us she recorded the fee when she realized she had forgotten to record it in August.

The Clerk's failure to record receipts in the Clerk software in a timely and accurate manner for all collections significantly increases the risk money collected could be lost or misappropriated.

Collections Were Not Deposited Timely or Intact and Were Unaccounted For

For the period January 1, 2016 through March 31, 2017, the Clerk had one bank account that was used for all financial activity related to Clerk fees that she closed on December 15, 2017. The Clerk opened a new bank account at another bank in April 2017 to be used for all financial activity related to Clerk fees.

We identified 877 collections totaling \$20,058⁴ that were recorded and/or deposited by the Clerk during the audit period. We reviewed collection documentation and bank statements and found that all seven credit card collections totaling \$90 during the audit period were deposited. However, the Clerk did not attach any supporting documentation to her duplicate deposit slips or validated deposit receipts to support the deposits made, such as receipt detail from the Clerk software. As a result, when using the Clerk-maintained records, we could not trace cash, check or money order collections for Clerk fees to a corresponding deposit to determine whether they were deposited in a timely manner and intact.

Consequently, we obtained bank compositions, consisting of copies of each check and money order deposited, from the Town's banks for the deposits made into the Clerk's bank accounts during the audit period. We reviewed the bank compositions and collection documentation and found that all 533 check and money order collections totaling \$12,953⁵ were deposited. However, 42 of these collections totaling \$1,330 were not deposited in a timely manner based on the recorded receipt dates because they were deposited between one and 28 business days late. When collections are not deposited timely, there is an increased risk money could be lost or misused.

4 The collections consisted of 337 cash collections totaling \$7,015,533 check and money order collections totaling \$12,953 and seven credit card collections totaling \$90. Some check and money order collections received were for the payment of multiple fees.

5 The \$12,953 includes a \$10 overpayment.

Because we could not trace cash collections to a corresponding deposit, we compared the total recorded cash collections to the total cash deposits made into the Clerk bank accounts during the audit period to determine whether they were in agreement. We found that the 337 recorded cash collections totaled \$7,015, but the cash deposits only totaled \$6,172.⁶ As a result, as of October 31, 2018, \$843 in recorded cash collections had not been deposited and were unaccounted for.

A significant amount of the \$843 in undeposited cash collections was related to collections for the months of April through August 2017. Specifically, we found that the Clerk recorded cash collections totaling \$1,203 during those months, but the cash deposits for the same months only totaled \$392 or \$811 less than should have been deposited. Our review of the bank compositions found that during the same months the Clerk issued five checks totaling \$785⁷ from an unidentified balance in her former Clerk bank account and deposited them into her new Clerk bank account. These five checks were substituted to offset a portion of the \$811 in cash collections recorded but not deposited. Substitution of checks for cash collections is a common way to conceal the theft of cash collections.

On November 5, 2018, when we asked the Clerk why she issued checks from her former Clerk bank account to her new Clerk bank account, she did not have an explanation. However, on November 7, 2018, the Clerk told us when she opened her new bank account in April of 2017, she realized she had an unidentified balance in her former bank account. The Clerk told us she planned to deplete the unidentified balance by not depositing cash collections that were received starting in April of 2017 and would issue checks from her former bank account and deposit them into her new bank account in the amount of cash collections received but not deposited each month. She planned on continuing this practice until the unidentified balance was depleted, at which time, she would deposit the cash collections she had accumulated. However, the Clerk told us the bank bag containing the undeposited cash collections went missing and, therefore, she discontinued this practice in August of 2017.⁸ The practice of substituting cash collections with the unidentified money in the bank account was not appropriate. Instead, the Clerk should have made an effort to identify the sources of the unidentified money and remitted the money to the appropriate parties.

6 The \$6,172 does not include a \$28 cash deposit made during the audit period for a reimbursement from a customer for a \$10 bounced check and \$18 in related bank fees that were incurred.

7 The \$785 in checks consisted of a \$162.50 check issued on April 28, 2017, \$92.50 check issued on May 31, 2017, \$290 check issued on June 22, 2017, \$150 check issued on July 25, 2017 and \$90 check issued on August 14, 2017.

8 The Clerk closed her former bank account on December 15, 2017 and remitted the remaining \$330 balance in the account to the Supervisor on the same day.

The Clerk could not provide us with a date when the cash collections went missing and told us she never notified the Supervisor, any other Town officials or the police of the missing cash. In addition, the Clerk did not previously tell us any cash collections went missing during our review, including when we conducted a cash count of the Clerk's undeposited money on hand on October 4, 2018.

On November 9, 2018, the Clerk sent us an email indicating she and the building maintenance worker searched her office and found the missing bank bag. We could not verify this account because we were not on-site at the Town that day. However, on November 13, 2018, we conducted a cash count of the Clerk's undeposited money on hand. The Clerk first provided us with a bank bag containing \$814 in cash, which she told us was the missing bank bag. However, the \$814 in cash was \$29 less than the \$843 in recorded cash collections not deposited during the audit period, resulting in \$29 in cash collections remaining unaccounted for.

The Clerk then provided us with a bank bag containing \$60 in checks and \$20 in cash for collections for Clerk fees. However, we found that the Clerk's collections recorded in the Clerk software since her last deposit totaled \$90 consisting of \$60 in checks and \$30 in cash. As a result, \$10 in additional cash collections recorded in the Clerk software were unaccounted for. The Clerk did not have an explanation for this. Subsequent to our cash count and on the same day, the Clerk made separate deposits of \$814 and \$80 into her Clerk bank account for the undeposited money on hand.⁹

Due to the combination of deposits not being adequately supported, collections not deposited timely and intact, and checks substituted for cash collections in deposits, there was a high risk money collected could be misappropriated. This also contributed to recorded cash collections totaling \$843 as of October 31, 2018 and \$39 as of November 13, 2018 not being deposited.

Monthly Reports and Remittances Were Not Accurate

The Clerk submitted a monthly report to the Supervisor for each month during the audit period in a timely manner. However, we reviewed six monthly reports¹⁰ during the audit period and found the total collections recorded on five of the six reports were not accurate because they were understated by a combined total of \$232.¹¹ These discrepancies occurred because the Clerk did not record all receipts in the Clerk software for collections received, which resulted in the Clerk's reports being inaccurate.

9 During the cash count the Clerk also provided us with a bank bag containing petty cash, which contained less than a \$1 more than the \$50 in petty cash she had been assigned.

10 Refer to Appendix B for information on our sampling methodology.

11 The \$232 consisted of \$100 for January 2016, \$50 for November 2016, \$30 for October 2017, \$22 for May 2018 and \$30 for July 2018.

We reviewed all 89 checks totaling \$19,465 issued by the Clerk for remittances of collections received during the audit period and found they were all made to the Supervisor and other appropriate agencies in a timely manner. In addition, we reviewed the 89 remittances to determine whether they were in agreement with the corresponding monthly reports submitted to the Supervisor. Except for one minor exception, which we discussed with Town officials, all of the remittances agreed with the reports. However, because monthly reports were inaccurate, the corresponding remittances were inaccurate to the same extent because no adjustments were made to correct errors in the monthly reports on which the remittances were based.

Due to the Clerk's inadequate recordkeeping, all collections received were not accurately recorded in the monthly Clerk reports and remitted to the Supervisor and other appropriate agencies in the appropriate amounts. In addition, because the Clerk did not remit all collections received, this deprived the Supervisor and other agencies of the use of money belonging to them and increased the risk collections could be used for inappropriate purposes.

Why Should a Clerk Prepare a Monthly Bank Reconciliation and Accountability Analysis?

A clerk is responsible and accountable for all money received by his or her office. It is important for a clerk to periodically verify the accuracy of the financial records and establish adequate control over cash by reconciling the clerk bank account(s) monthly. In addition, on a monthly basis, the amount of cash on hand and on deposit in the bank should be compared to detailed lists of amounts due to the supervisor and other appropriate agencies. This comparison is referred to as an accountability analysis. Preparing bank reconciliations and accountability analyses are critical procedures that serve to document the status of money held by the clerk and provide a means of demonstrating the clerk is properly addressing her custodial responsibilities.

Bank Reconciliations and Accountability Analyses Were Not Prepared

The Clerk never prepared bank reconciliations or accountability analyses comparing cash on hand and in the bank with known liabilities during the audit period. We prepared accountability analyses at month-end for January 2016 and October 2018. We found the Clerk's assets agreed with her known liabilities as of January 31, 2016. However, the Clerk's known liabilities exceeded her assets by \$843 as of October 31, 2018, resulting in a cash shortage (Figure 1). This occurred because the Clerk did not deposit \$843 in recorded cash collections during the audit period.

Figure 1: Accountability Analyses

	January 31, 2016	October 31, 2018
Assets	Amount	Amount
Adjusted Bank Account Balance	\$1,026	\$742
Due from Supervisor (Bank Fees)	100	200
Total Assets	\$1,126	\$942
Known Liabilities		
Due to Supervisor	\$240	\$857 ^b
Due to NYS Department of Health	0	23
Due to NYS Department of Agriculture & Markets	15	39
Due to NYS Office of the State Comptroller	15	\$0
Due to Customer (Overpayment)	0	10
Unidentified Balance Prior to January 1, 2016^a	856	856
Total Known Liabilities	\$1,126	\$1,785
Cash Overage / (Shortage)	\$0	(\$843)

a) The unidentified balance consists of a cash overage in the Clerk's bank account as of January 1, 2016. The Clerk did not have an explanation for the overage. However, this likely resulted because of the Clerk depositing collections into her Clerk account prior to our audit period but not recording corresponding receipts in the Clerk software. When this occurs, it results in the corresponding collections not being remitted to the Supervisor and other appropriate agencies. Instead, the collections accumulate in the Clerk's bank account.

b) When the Clerk closed her former bank account on December 15, 2017, she remitted the remaining \$330 account balance to the Supervisor on the same day. Because we could not specifically identify which collections the \$330 corresponded to, we subtracted this amount from our calculated amount of collections due to the Supervisor as of October 31, 2018.

The lack of monthly bank reconciliations and accountability analyses being prepared contributed to the discrepancies identified in the Clerk's records and resulted in the \$843 in undeposited cash collections not being detected by Town officials. This also resulted in Town officials not being aware there was a significant unidentified balance in the Clerk's former bank account, which was used by the Clerk to offset a portion of the undeposited cash collections during the audit period.

How Should a Board Provide Oversight of a Clerk's Financial Activities?

Town Law¹² requires a board to conduct or obtain an annual audit of the records and reports of any town officer or employee who received or disbursed money on the town's behalf in the preceding year. This annual audit is to provide assurance that public money is handled properly (i.e., deposited in a timely manner, accurately recorded and accounted for), identify conditions needing improvement and provide oversight of a clerk's financial operations. A thorough annual audit also provides a board an added measure of assurance that financial records and reports contain reliable information on which to base management decisions. While a board is required to audit a clerk's records at least annually, more frequent monitoring of the clerk's financial activities helps reduce the risk that errors or irregularities could occur and remain undetected and uncorrected.

The Board Did Not Conduct an Annual Audit of the Clerk's Records and Reports

The Board did not audit or obtain an audit of the Clerk's records and reports for the 2016 and 2017 fiscal years. The Board's failure to conduct an audit of the Clerk's records allowed the Clerk to maintain inaccurate records and for discrepancies to occur and remain undetected and uncorrected. Had the Board conducted the annual audit of the Clerk's records, the deficiencies found during the audit could have been identified and addressed sooner.

Based upon our audit findings and subsequent investigation, the Clerk was arrested on April 29, 2021 and charged with falsifying business records in the first degree, corrupting the government in the fourth degree and official misconduct. On December 14, 2021, the Clerk pleaded guilty to Attempted Falsifying Business Records in the second degree.

What Do We Recommend?

The Clerk should:

1. Record receipts for all collections received in the Clerk's software in a timely and accurate manner.
2. Attach supporting documentation to the duplicate deposit slips and validated deposit receipts to support the deposits made.
3. Ensure all collections received are deposited intact and in a timely manner in compliance with Town Law.

¹² Town Law Section 123

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4. Submit a monthly report to the Supervisor containing all collections received for the month.
 5. Remit all collections to the Supervisor and other appropriate agencies in the appropriate amounts.
 6. Ensure bank reconciliations and accountability analyses are prepared monthly, whereby known liabilities are reconciled to available cash, and promptly investigate and resolve any discrepancies.
 7. Attempt to identify the source of the \$856 unidentified balance that was in the Clerk's bank account as of January 1, 2016. If the Clerk cannot identify the source of the balance, a check should be issued to the Supervisor in the same amount.
 8. Reimburse the customer the \$10 overpayment identified in this report.

The Board should:

9. Take appropriate action to recover any money due from the Clerk.
10. Annually audit, or cause to be audited, the Clerk's financial records and reports and consider providing more frequent monitoring of the Clerk's activities.

Appendix A: Response From Town Officials



Timothy R. Napper
Supervisor
Jerry Delancy
Deputy Supervisor/
Councilor

TOWN OF SARANAC

In the Adirondack Mountains

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Councilor
Tracy Eggleston
Councilor
James Terry
Councilor
Debbie Pellerin
Town Clerk
James Waldron
Highway Superintendent

February 15, 2022

Gary Gifford
Chief Examiner
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Dear Sir:

The purpose of this letter is to acknowledge the Draft Report of the Examination of Town Clerk Operations for the Town of Saranac, Report 2019M-33.

Our town certainly takes the findings of your report seriously and is dismayed by the circumstances which led to your findings. As a small town we tend to believe that everyone is a good and honest person and will conduct themselves accordingly. Your report both indicates that is not necessarily so and that the Town of Saranac needs to do more to ensure that proper controls and oversight are in place.

We agree with your findings and also appreciate the professional manner in which [REDACTED] interpreted the report to our local officials.

Sincerely yours,

Timothy R. Napper
Supervisor

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1400 Independence Avenue, S.W., Washington, D.C. 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)

Appendix B: Audit Methodology and Standards

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 the Clerk and Town officials and reviewed various financial records and reports to gain an understanding of the Town's procedures related to collecting, recording, depositing, remitting, reporting and reconciling Clerk fees and any associated effects of deficiencies in those procedures.
- We reviewed all recorded collections and corresponding deposits made into Clerk bank accounts during the audit period to determine whether collections were accurately recorded in the Clerk's software and deposited in a timely manner and intact.
- We obtained and reviewed bank compositions for deposits made into the Clerk bank accounts during the audit period to determine whether they included any checks or money orders that did not appear to be for Clerk collections.
- We conducted a cash count of the Clerk's undeposited money on hand on November 13, 2018 to determine whether it was in agreement with the recorded collections and petty cash the Clerk had been assigned.
- We reviewed all monthly reports during the audit period to determine whether the Clerk prepared and submitted the report to the Supervisor for each month and if the reports were submitted in a timely manner.
- We reviewed a random sample of six monthly Clerk reports during the audit period (January and November 2016, April and October 2017, and May and July 2018) to determine whether the collections recorded on the reports were accurate.
- We reviewed all checks issued by the Clerk for remittances of collections received during the audit period to determine whether the remittances were made to the Supervisor and other appropriate agencies in a timely manner and for the appropriate amounts. We also reviewed all other checks issued from the Clerk's bank accounts during the audit period to determine whether they were for appropriate purposes and amounts.
- We selected a judgmental sample of two months (January 2016 and October 2018) and prepared accountability analyses at month-end for the Clerk's bank account to determine whether the corresponding assets agreed with the known liabilities. We then investigated and documented any differences disclosed. Our sample consisted of the first and last month during the audit period.

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- We interviewed Town officials and reviewed the Board minutes to determine whether the Board had audited or obtained an audit of the Clerk's records and reports for the 2016 and 2017 fiscal years.

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

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's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

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

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

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/files/local-government/publications/pdf/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

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/academy

Contact

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