



Village of Waverly

Parks and Recreation Department
Financial Activities

2021M-12 | April 2023

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Report Highlights

Village of Waverly

Audit Objective

Determine whether Village of Waverly (Village) officials established adequate controls over Parks and Recreation Department (Department) financial activities.

Key Findings

Village officials did not establish adequate controls over the Department's financial activities, resulting in \$16,525 in unaccounted for collections.

- Cash receipt processes and oversight were inadequate and key duties were not segregated.
- Collection, receipting and recordkeeping procedures were inadequate.
- The Department hosted 15 tournaments and held nine fundraisers. However, no money was deposited for 11 of the tournaments and two of the fundraisers.
- Registration forms for 26 of 36 sports leagues were not maintained.
- The former Director awarded scholarships (i.e., waived registration fees) without any guidelines, Board oversight or approval.
- The former Director inappropriately used Village bank accounts for non-Village activities.

As a result of our audit and investigation, the former Director was arrested and pleaded guilty in December 2022 to official misconduct. As part of his plea, the former Director resigned from his position in November 2022, was sentenced to a one-year conditional discharge and paid the Village full restitution of \$16,525 in connection with his crimes.

Key Recommendations

- Establish adequate financial activity controls.
- Develop criteria and provide oversight for the scholarship program.

Background

The Village is located in the Town of Barton in Tioga County and is governed by an elected Board of Trustees (Board) composed of six Trustees and the Mayor.

The Board is the legislative body responsible for oversight and general management of financial operations.

The Board established a separate five-member Parks and Recreation Commission Board (Commission Board) to oversee the Department, including the maintenance and use of parks and administration of recreation programs.

The Director of Parks and Recreation (Director) oversees day-to-day operations of the Department.

The Board also appointed a Clerk-Treasurer, who is the chief fiscal officer and is responsible for receiving, disbursing and maintaining custody of Village funds.

Quick Facts

Fiscal Year 2017-18

Programs	15
Department-Related Disbursements	\$139,624
Department-Related Deposits	\$58,244

Audit Period

November 1, 2015 – August 31, 2018. We extended our audit period through December 18, 2018 for certain procedures.

Parks and Recreation Department

The Department sponsors various programs for Village residents and the surrounding community. For example, the Department offers youth sports programs (e.g., football, volleyball, swimming, soccer and basketball), a summer youth recreation program and field trips. The Department's activities are funded by registration fees, contributions from the Towns of Barton and Chemung, reservation fees for its community room and pavilions, grants and donations.

Village officials allowed children who could not afford to pay registration fees to participate in the various programs for free. Officials referred to these waived registration fees as scholarships. According to a Trustee and the former Director, the Waverly Recreation Booster Club (Booster Club), which is a not-for-profit corporation unaffiliated with the Village and was established to organize fundraisers and provide support to local youth sports programs, reimburses the Department for these scholarships.

How Should Officials Safeguard Department Cash Receipts?

Village officials are responsible for providing adequate oversight, including internal controls to provide reasonable assurance that cash is safeguarded and that financial transactions are properly recorded. Such controls should include maintaining adequate records of program participants, segregating key duties or implementing compensating controls, using press-numbered duplicate receipts (duplicate receipts) and ensuring that all Department money collected is properly recorded and deposited.

Duplicate receipts or other support should be maintained to document cash collected, including the name of the payee, date, amount, payment type and purpose. All money collected should be deposited in full in the same form as received (i.e., cash or check), and charges for programs should be in accordance with fee schedules. Any deviations from fee schedules should be detailed in a Board-approved policy and adequately supported. Records supporting the composition of deposits should be detailed enough to indicate each source of revenue when combined into a single deposit. In addition, someone independent of this process should compare supporting documentation for revenue sources to bank deposits.

The Board or Commission Board should develop criteria for scholarship recipients and provide oversight and require records to ensure that scholarships are based on established criteria, supported and reimbursed by the Booster Club. In addition, Department officials should ensure that only financial activity from Village sponsored programs is accounted for in Village records and bank accounts.

Cash Receipts Processes and Oversight Were Inadequate, Resulting in Missing Department Money

Village officials did not establish adequate controls over cash receipts. Generally, the former Director, or the Clerk-Treasurer’s clerks in his absence, were responsible for collecting fees for the programs. However, the former Director did not maintain adequate records of program participants, tournaments held and fundraisers¹ or regularly issue duplicate receipts. In addition, key duties were not segregated and there was inadequate oversight to ensure all money collected was recorded and deposited.

For the youth sports programs, residents were required to fill out a registration form and the former Director was responsible for documenting on the form the method of payment or if the program fee was waived (which Village officials referred to as scholarships). However, the former Director did not maintain registration forms for 26 of the 36 sports leagues that operated during our audit period. In addition, for eight of the 10 sports leagues the former Director maintained forms for, there was evidence that there were more participants than the number of forms provided to us.

We estimated the number of Department programs based on the Board meeting minutes, website and social media from November 1, 2015 through August 31, 2018; however, there was insufficient documentation to ensure we captured every program offered.

We reviewed available documentation to determine the amounts that should have been collected for each program, and we reviewed duplicate receipts (when available), deposit compositions and bank statements to determine the amounts deposited for each program. Of the \$76,104 that we calculated should have been collected for these programs, only \$59,579 was deposited, leaving \$16,525 missing as shown in Figure 1.

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Figure 1: Department Money Not Deposited

Program	Amount That Should Have Been Collected	Amount Deposited	Amount Missing
Youth Sports Programs	\$33,312	\$21,516 ^a	\$11,796
Field Trips	2,788	757	2,031
Tournaments	6,584	4,987	1,597
Fundraisers	33,420	32,319	1,101
Total	\$76,104	\$59,579	\$16,525

a) This includes \$2,865 in reimbursements from the Booster Club for scholarships.

¹ For the purposes of this report, OSC is not opining on the legal propriety of the Village’s involvement in fundraising activities.

For example, there were three field trips in the summer of 2016 based on records kept by the teacher and invoices. Although we estimated approximately \$1,170 should have been collected, no money was deposited during that summer for field trips.

In addition to the above, we found unaccounted for receipts that could not be quantified as follows:

- We found evidence that the Department hosted 15 tournaments; however, there were receipts deposited for only four of the tournaments. We asked the former Director why there were no associated deposits for the remaining 11 tournaments, and he told us that he must not have collected money for those tournaments.
- We found evidence that nine fundraisers were held to benefit the Department; however, no money was deposited for two of these events.

These deficiencies occurred and remained undetected because collection, receipting and recordkeeping procedures were inadequate. In addition, key duties were not segregated because the former Director was responsible for collecting, recording and maintaining custody of cash receipts, and the Boards failed to provide adequate oversight through procedures such as an independent review and reconciliation of supporting documentation to bank deposits for all Department programs.

As a result of our audit and investigation, the former Director was arrested and pleaded guilty in December 2022 to official misconduct for destroying and altering Department records. As part of his plea, the former Director resigned from his position at the Village in November 2022. The former Director was sentenced to a one-year conditional discharge and paid the Village full restitution of \$16,525 in connection with his crimes.

Scholarship Program Had No Guidelines, Oversight or Records

Neither the Board nor the Commission Board established a policy to outline eligibility requirements for children to receive a scholarship; therefore, scholarship recipient determinations were made by the former Director without either Boards' oversight or approval.

We reviewed all 305 registration forms that were provided² and found 49 participants' forms (16 percent) indicated that they received a scholarship. An additional 31 forms (10 percent) did not indicate payment was received. Of these, 28 participants lived in the same household as another participant who was required to pay, indicating the former Director either did not apply a standard

² There were several sports programs that occurred during our audit period for which, according to the former Director, he no longer had the registration forms on file.

methodology for determining scholarship recipients or inaccurately marked the forms. Additionally, we found no evidence that records were maintained detailing exactly who received scholarships as the majority of the sports programs' registration forms were not maintained on file.

We sent confirmation letters to 67 youth sports program participants whose forms indicated they received a scholarship or otherwise did not pay. We received responses for 21 participants: 13 (62 percent) confirmed that they received a scholarship and eight (38 percent) indicated that they paid a combined total of \$185. We were provided support that indicated one check payment (covering two participants) totaling \$30 was erroneously deposited into the Booster Club bank account and we were unable to identify deposits made for the remaining \$155 claimed to be paid for the other six participants.

We also attempted to verify that the Booster Club was reimbursing the Village for all scholarships as we were told. However, without records of each scholarship recipient, verification was not possible. We found that the Booster Club made one scholarship-related payment to the Village for \$1,280 during our audit period. Also, subsequent to our fieldwork, the Booster Club paid an additional \$1,585 to the Village for scholarships.

According to a summary document of scholarships awarded during 2018 we observed in the former Director's filing cabinet, the former Director provided a total of 74 scholarships totaling \$1,585. However, we found this summary to be inaccurate.

For example, according to the summary, the former Director awarded two scholarships (for \$20 each) for the cross country program and eight scholarships (for \$25 each) for the cheerleading program, as shown on Figure 2, but our review of the registration forms provided for these programs indicated at least five scholarships awarded for cross country and at least 10 scholarships awarded for cheerleading.

As a result, we could not rely on the summary document as an accurate depiction of scholarships awarded. Regardless, after including these two payments in the amounts deposited into Village accounts, \$11,796 remained unaccounted for in money relating to youth sports programs as identified above.

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FIGURE 2

Scholarship Summary

2018 WAVERLY RECREATION SCHOLARSHIP PROGRAM.

The Waverly Recreation department offers scholarships to families that have more the 1 child participating in any of our programs. We also offer scholarships to families that can't afford the cost of the registration fees or need some type of equipment in order for their children to participate in the programs . In 2018 we had 57 scholarships awarded to Waverly children in our programs .Here is a list of scholarships that have been given out this year.

GILRS PONYTAIL SOFTBALL	4 @ \$25 = \$ 100
BABE RUTH BASEBALL	15 @ \$ 10= \$ 150
SWIMMING LESSONS	7 @ 45= \$ 315
SUMMER RECREATION FIELD TRIPS	22 @ \$ 10 = \$220
CROSS COUNTRY	2 @ \$20 = \$ 40
FOOTBALL	16 @ \$ 35= 560
CHEERLEADING	8 @ \$ 25 = \$ 200
TOTAL	74 = \$1585

The lack of control over the Department’s scholarship program further enables Department receipts to be manipulated and unaccounted for, while remaining undetected.

The Former Director Used Village Bank Accounts for Non-Village Activities Without Proper Accounting

The Girls’ Basketball Club and the Boys’ Basketball Club are outside organizations that are not affiliated with the Village. The clubs sponsor summer basketball camps. The Boys’ Basketball Club also sponsors a basketball league.

In 2017 and 2018, the former Director deposited camp and league registration fees as well as club money meant to pay for referees into a Village bank account. After depositing the money, the former Director paid referees for their services and attempted to distribute the remaining funds back to the outside organizations with Village checks; however, he did not do so accurately, which cost the Department \$303 as shown in Figure 3.

In addition, the former Director issued a check to the Boys’ Basketball Club for \$2,735 in March 2018 that represented the proceeds of the 2017 Christmas basketball tournament, historically sponsored by the Department (included as a tournaments deposit in Figure 1). According to the former Director, the money for 2017 was turned over to the club because that year’s tournament was for 7th-grade and 8th-grade children, which are not sponsored by the Department,³ however we were unable to verify his assertions. If his assertions are true, this is another example of the former Director inappropriately using a Village bank account for a non-Village event. If his assertions are untrue, the payment for \$2,735 to the Boys’ Basketball Club was inappropriate and should be returned to the Department.

Figure 3: Non-Village Money Deposited and Disbursed

Program	Amount Deposited	Amount Disbursed	Variance
2017 Boys’ Basketball	\$13,087	\$13,835	(\$748)
2017 Girls’ Basketball	3,550	5,500	(1,950)
2018 Boys’ Basketball	17,452	15,057	2,395
2018 Girls’ Basketball	6,750	6,750	0
Total	\$40,839	\$41,142	(\$303)

The former Director informed us that the variances were an oversight on his part and that he ran these activities through the Village’s bank account because he wanted to help the clubs account for their money. However, the former Director’s poor recordkeeping resulted in under payments and overpayments to the clubs, as well as the Department paying \$303 toward these non-Village programs.

Accounting for non-Village programs in a Village bank account is inappropriate and further complicates accountability and oversight of Department money. This

³ Other years’ tournaments were for 5th-grade and 6th-grade children and sponsored by the Department.

practice also jeopardizes Department funds in the event that overpayments or erroneous payments are made.

What Do We Recommend?

The Board or Commission Board (if formally delegated the authority) should:

1. Implement proper internal controls over Department receipts including maintaining records of participants, issuing receipts, segregating duties and providing for an independent review and reconciliation of supporting documentation to deposits for all programs.
2. Develop criteria for scholarship recipients.
3. Provide oversight and require records to ensure scholarships are based on established criteria, supported and reimbursed by the Booster Club.

The Director should:

4. Issue receipts and maintain adequate supporting documentation for the receipt and deposit of money for each program.
5. Discontinue the practice of collecting and disbursing funds on behalf of other organizations not associated with the Village.

Appendix A: Response From Village Officials



VILLAGE OF WAVERLY

Waverly, New York 14892

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The Village of Waverly is an Equal Opportunity Provider and Employer

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February 17, 2023

Office of the State Comptroller
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417

Attention: [REDACTED]

RE: NYS Comptroller Draft Report, Village of Waverly Parks/Recreation Audit 2021M-12

Dear [REDACTED]

The Village of Waverly has received and reviewed the draft Village of Waverly Parks and Recreation Report Audit # 2021M-12 prepared by the New York State Comptroller's Office.

The Village of Waverly does not dispute the overall findings detailed in the draft report. Given the detailed nature of the forensic audit that occurred to reach the financial finding of the report, the Village of Waverly is unable to dispute the financial conclusions reached. The Village of Waverly acknowledges additional financial oversights and controls should have been in place.

The Village of Waverly has already implemented a corrective action plan to address the recommendations detailed on page #8 of the report and will respond in the future, in the required time frame, with a detailed Corrective Action Plan (CAP) as required by your office.

Sincerely,

Patrick Ayres
Mayor, Village of Waverly

CC: Village Attorney

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 Village officials and employees and reviewed Board meeting minutes and Commission Board meeting minutes to gain an understanding of the Board's oversight of the Department.
- We performed a Department cash count to document all cash on hand on September 6, 2018.
- We sent confirmation letters to local banks to determine the amounts on deposit and compared this information to the bank account list to determine whether we were informed of all bank accounts.
- We accumulated all deposits in the Department bank account and determined whether there was documentation at the Village to support the source of the funds.
- We scanned Department reports, social media, Board meeting minutes and the Village's website to determine which programs the Department provided to residents for the period November 1, 2015 through August 31, 2018. We calculated the amounts that should have been deposited for certain programs totaling \$76,104 based on methods described below. We traced these amounts to the amount deposited according to the cash receipts books (if available), deposit tickets, deposit compositions and bank statements.
 - We reviewed the available registration forms and performed data reliability testing to determine whether they could be relied on. We compared the notations on the forms, such as form of payment or scholarship, to the deposit compositions from the bank. We sent confirmations to parents to clarify or confirm the form of payment the former Director noted on the registration form.
 - We calculated the amount due to the Department for sports registrations by using the number of children who participated based on department reports prepared by the former Director. We determined the amount to be charged to each child by obtaining the registration fee for each sport and applied a discount based on the number of siblings that participated in the sports we had registration forms for. We compared our calculation of what should have been charged to the amount the former Director collected as indicated on the registration form. We obtained bank statements for the Booster Club to determine which receipts were deposited into that account.
 - We attempted to obtain documentation regarding who hosted tournaments sponsored by the Department, the number of teams that

participated and the price per team, but at times this documentation was not always available.

- We scanned Department reports, social media and invoices to determine the number of students who participated in field trips and, based on the rate charged for each trip, calculated the amount that should have been deposited and compared to amounts actually deposited.
- We determined how much should be deposited for fundraisers by using invoices, if available; if not, we were unable to determine the amount to be collected.
- We sent confirmations to vendors that had donated at least once to the Department and who had an address available to determine all money they donated during our audit period.
- We performed a trend analysis on cash deposits noted on the deposit compositions to note any unusual trends for November 1, 2015 through August 31, 2018.
- We calculated the amount owed for reservations for the community room for January 1, 2018 through August 31, 2018 by reviewing calendars, duplicate receipts, deposit tickets and bank statements to determine whether amounts owed were deposited. We obtained the rate schedule to determine whether reservations were assessed the proper fee. We also reviewed deposits on hand and compared them to reservations on the calendar after December 18, 2018 to determine whether they were accounted for properly.
- We calculated the amount owed for reservations for the pavilions for May 1, 2018 through August 31, 2018 by reviewing calendars, duplicate receipts, deposit tickets and bank statements to ensure amounts owed were deposited. We also obtained the rate schedule to determine whether reservations were assessed the proper fee.
- We reviewed contracts and grant applications to determine how much each surrounding local government contributed to the Department and verified amounts deposited.
- We obtained documentation from the adult lap swim director and verified the amounts she recorded as collected were deposited.
- We analyzed scholarships issued to children in the same household to see if they were applied consistently. We also attempted to determine the amount of scholarships issued to children during our audit period but were not able to obtain sufficient documentation to do so.

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- We calculated the amounts the former Director collected on behalf of the Girls' and Boys' Basketball Clubs totaling \$40,839 and then compared that to the amount paid to those clubs.

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

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

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