



Town of East Hampton

Peconic Bay Community Preservation Fund

P7-23-23 | February 2024

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Report Highlights

Town of East Hampton

Audit Objective

Determine whether Town of East Hampton (Town) officials properly administered the Peconic Bay Community Preservation Fund (CPF) to ensure that all collections were properly supported, recorded and deposited and that disbursements were proper and supported.

Key Findings

Town officials ensured the CPF collections we examined were properly supported, recorded and deposited in full and that disbursements were proper and supported. Town officials also ensured the debt service payments we reviewed were for legitimate CPF purposes and properly allocated. Specifically:

- Of the 101 deposits totaling \$127.2 million made to the CPF bank account during the audit period, we reviewed 10 deposits totaling \$41.7 million. All 10 deposits we reviewed were properly receipted, deposited timely and intact, and accounted for.
- Of the 917 disbursements totaling \$105 million paid during the audit period, we reviewed 36 disbursements totaling \$7.3 million. All 36 disbursements were adequately supported and approved prior to payment.
- We reviewed all 14 debt service payments totaling \$3.9 million made during the audit period. All 14 were properly allocated and represented a legitimate liability incurred by the CPF.

Key Recommendations

There were no recommendations as a result of this audit.

Audit Period

January 1, 2021 – December 31, 2022

Background

The Town is located in Suffolk County and includes the Village of East Hampton, part of the Village of Sag Harbor, and the hamlets of Amagansett, Montauk, Springs and Wainscott.

The Town is governed by a five-member Town Board (Board). The Town Supervisor (Supervisor) is the presiding Board member and serves as the chief fiscal officer.

The Director of Land Acquisition and Management (Director) is responsible for the administration of the Town's CPF program and relies on the Division of Finance and Town Clerk's Office for depositing and recording CPF revenues and making CPF payments.

Quick Facts

As of December 31, 2022

Total open space, farmland, parks and historic sites preserved to date	2,352 acres
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Total Cash on Hand	\$70.3 million
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2021-2022

Collections	\$127.2 million
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Disbursements	\$105 million
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Community Preservation Fund

The Peconic Bay CPF, created in 1998 by legislation within Town Law Section 64-e (Town Law), authorized the Town to establish such a fund by local law. Town Law has been amended by subsequent legislation to provide additional guidance on the administration of the CPF within the Town. The CPF's overall goal is to preserve open land and farmland in the Town, a goal which includes purchasing open space and environmentally sensitive lands. It is financed by a 2 percent real estate transfer tax, administration of which is governed by Tax Law Section 31-d. The Board, together with the Supervisor and Director, is responsible for overseeing the CPF's financial activities and safeguarding its resources.

What Procedures Should the Town Have for CPF Collections and Disbursements?

It is essential that Town officials establish procedures to ensure collections are properly supported, accounted for, and deposited in full and disbursements are authorized, supported, and for proper purposes. Procedures should include:

- Ensuring that all assessed real estate transfer taxes are remitted,
- Issuing duplicate press-numbered receipts when there is no other supporting documentation of collections,
- Reconciling money collected with deposits,
- Ensuring collections are deposited intact (i.e., in the same amount and form [e.g., cash, check] as received) and within 10 days (as required by Town Law Section 29),
- Segregating key duties to ensure that one employee does not perform all phases of a transaction,
- Limiting the authorization to initiate claims to specific employees,
- Ensuring claims are supported and authorized prior to being paid,
- Maintaining documentation for all disbursements, and
- Ensuring that transactions are properly recorded and accounting records are up-to-date, complete, and accurate.

Collections Were Properly Supported, Recorded and Deposited

Town officials established procedures regarding CPF collections. The Account Clerk in the Town Division of Finance receives all real estate transfer tax checks that finance the Town CPF, and deposits any checks under \$5 million; checks of \$5 million or more are deposited by the Principal Accountant. The Account Clerk and Principal Accountant send their bank deposit slips and related paperwork to the Accountant who then enters the journal entry for the deposit and attaches supporting documents in the Town's financial system for the Town Budget Officer

to review and approve. Finally, the Accountant posts the journal entry for the deposit in the Town's financial system.

We reviewed 10 CPF bank account deposits totaling \$41.7 million of the 101 deposits totaling \$127.2 million made during the audit period to determine whether they were properly receipted, deposited timely and intact and accurately recorded. We found all 10 deposits were properly receipted, deposited timely and intact, and accounted for.

Disbursements Were Proper and Supported

Land Purchases – After a CPF land purchase is approved by the Board, the Town Attorney's Office prepares the closing document, creates a payment voucher, and sends the Principal Accountant the seller(s) W-9s and closing statement to set up the seller(s) and other applicable parties (e.g., title company, seller's attorney) as vendors in the Town's financial system. The Director, the Town Attorney and Supervisor sign the payment voucher, which is then sent to the Deputy Town Clerk with the supporting documentation to enter into a warrant batch in the Town's financial system. A Board member, on a rotational basis, reviews and approves the warrant batches before full Board approval of payment.

Ordinary Purchases – For ordinary purchases (e.g., office supplies), the CPF Administrative Assistant enters a purchase requisition with supporting documents in the Town's financial system to be electronically approved by the Director. The Director and Supervisor sign a paper copy of the purchase requisition, which then goes to the Senior Purchasing Agent and the Town Budget Officer for review and approval in the Town's financial system. After final approval and purchase, the Director submits the vendor invoice with approved purchase order to the Town Clerk's Office to enter into a warrant batch in the Town's financial system. A Board member, on a rotational basis, reviews and approves the warrant batches before full Board approval of payment.

Debt Service Payments – The Principal Accountant receives email notifications from the Depository Trust Company a week before, a day before and the morning of the debt service payment due date. The Principal Accountant prepares a wire transfer sheet to make the debt service payment from the CPF, which is then signed by the Director, Town Budget Officer and the Supervisor. Finally, the Principal Accountant initiates the bank wire transfer for the debt service payment, and either the Town Budget Officer or Accountant approve the wire transfer.

We reviewed 36 disbursements totaling \$7.3 million (of the 931 disbursements totaling \$108.9 million paid during the audit period) to determine whether the purchases were for legitimate CPF purposes, properly approved before payment and supported by adequate documentation, such as itemized invoices or receipts.

The purchases were for legitimate CPF purposes, adequately supported and approved prior to payment.

We also reviewed all 14 debt service payments totaling \$3.9 million paid during the audit period to determine whether the payments were properly allocated to the CPF and represented a legitimate liability incurred by the CPF. We found the debt service payments were for legitimate CPF purposes, properly allocated to the CPF, adequately supported, and approved prior to payment.

Conclusion

Town officials have established adequate procedures for CPF collections and disbursements and ensured that the CPF collections we examined were properly supported, recorded, and deposited in full. Town officials also ensured that the CPF disbursements we examined were proper and supported.

Appendix A: Response From Town Officials



TOWN OF EAST HAMPTON

159 Pantigo Road
East Hampton, New York 11937

PETER VAN SCOYOC
Supervisor

(631) 324-4140
pvanscoyoc@eamptonny.gov

December 26, 2023

Ira McCracken
Chief of Municipal Audits
Division of Local Government and School Accountability
Office of the NYS Comptroller
110 State St.
Albany, N.Y. 12236

Dear Mr. McCracken:

In response to the preliminary draft findings of the Comptroller's recent audit of the Town of East Hampton Peconic Bay Community Preservation Fund, contained in Report of Examination P7-23-23, I am pleased to note that there were no recommendations issued as a result of the audit.

Auditors found that the Town's CPF collections "were properly supported, recorded, and deposited in full, and that disbursements were proper and supported," and that "debt service payments ... were for legitimate CPF purposes and properly allocated."

These positive findings reflect the appropriate policies and procedures that are in place and that are followed by our town Finance division. I am grateful for their excellent work and for the resulting very positive audit.

☺ Sincerely,

Supervisor, East Hampton Town

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and employees to gain an understanding of the procedures over collecting and recording revenues and disbursing funds for the Town's CPF.
- We used our professional judgment to select a sample of 10 bank deposits totaling \$41.7 million and verified the deposit amounts from the bank statements to the CPF general ledger to ensure they were properly recorded.
- We used our professional judgment to select a sample of 36 disbursements totaling \$7.3 million to determine whether they were legitimate expenditures related to land acquisition, water quality improvement or management and stewardship costs.
- We obtained and reviewed Town CPF debt service schedules, bond closing statements and other supporting documentation to verify all 14 debt service payments totaling \$3.9 million paid during the audit period to determine whether the payments were for legitimate CPF purposes and were properly recorded and approved.

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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief of Municipal Audits

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel (631) 952-6534 • Fax (631) 952-6091 • Email: Muni-Hauppauge@osc.ny.gov

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