



Village of Horseheads

Collections

2023M-169 | May 2024

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Report Highlights

Village of Horseheads

Audit Objective

Determine whether Village of Horseheads (Village) officials properly recorded and deposited collections timely and intact.

Key Findings

Village officials did not properly record or deposit all collections in a timely manner. Officials did not reconcile departmental records with Village records, utilize records that could verify deposits were made intact, complete timely bank reconciliations, or perform annual audits. We determined that:

- Code Enforcement Department (Code Enforcement) officers did not accurately record collections totaling \$1,804.
- Cemetery Department (Cemetery) collections and Code Enforcement permit collections totaling \$71,992 were deposited an average of 15 and 21 days late, respectively.
- Code Enforcement cash collections totaling \$150 were not deposited until we identified the discrepancy, or seven to 11 months after collection.
- The Board of Trustees (Board) did not comply with New York State Village Law which required the Board to annually audit the Clerk-Treasurer's records and reports. The last audit was conducted in 2018.

The Comptroller's Office commenced a separate investigation into the possible misappropriation of Village funds. In August 2023, the Assistant Clerk was arrested on the charges of grand larceny in the third degree and corrupting the government. In March 2024, the Assistant Clerk pleaded guilty to attempted petit larceny and paid full restitution.

Key Recommendations

- Reconcile departmental records to the Village's primary accounting records.
- Record and deposit all collections timely and reconcile Village bank accounts monthly.
- Establish receipt records that document the date, purpose, form and amount of money collected.
- Annually audit the Clerk-Treasurer's annual financial report and supporting records.

Village officials generally agreed with our findings and indicated they have initiated, or plan to initiate, corrective action.

Audit Period

June 1, 2021 – January 31, 2023.

We extended our audit period to September 20, 2023 to review support for certain deposit transactions, and to March 6, 2024 to provide details on the former Assistant Clerk's investigation.

Background

The Village is located in the Town of Horseheads in Chemung County and is governed by an elected five-member Board, composed of the Mayor and four Board members.

The Board is responsible for the general management and control of Village finances and safeguarding assets. The Village Manager (Manager) is the chief administrative and executive officer and is responsible for the day-to-day management under the Board's direction.

The Clerk-Treasurer is the chief fiscal officer and maintains custody of all Village funds and keeps an accounting of all Village collections. Cash, check and credit card payments are received across multiple departments within the Village. All collections from these departments are forwarded to the Clerk-Treasurer's office for deposit.

Quick Facts

| | |
|---|---------------|
| 2021-2022 General Fund Budgeted Revenues | \$4.6 million |
| 2022-2023 General Fund Budgeted Revenues | \$5.0 million |

Collections

What Are Properly Recorded, Intact and Timely Collection Deposits

Accountability over village department collections occurs when acceptable forms of receipts (electronic or duplicate) are issued and retained, transactions are properly recorded, and accounting records are up to date, complete and accurate. Collections should be recorded in accounting records as soon as practicable, and those records should be used to compare daily collections on hand at the end of day. Collections must be deposited intact, that is, in the same order and form (cash or check) in which they were received. Village treasurers are required to deposit all money within ten days after receipt.

Collections Were Not Always Recorded and Deposited In a Timely Manner

Collections for all Village departments were remitted to the Clerk-Treasurer's office and deposited. We reviewed Cemetery, Code Enforcement and Parks and Recreation Department (Parks and Recreation) collections to determine whether they were properly recorded and deposited in a timely manner and intact (Figure 1).

Figure 1: Collections Reviewed

| Department | Collections (Count) | Collections (\$ Amount) |
|-----------------------------|---------------------|-------------------------|
| Cemetery | 106 | \$100,263 |
| Code Enforcement | 245 | 52,456 |
| Parks and Recreation | 1,258 | 58,654 |
| Total | 1,609 | \$211,373 |

Recordkeeping – While Cemetery and Parks and Recreation collections were properly recorded, Code Enforcement collections were not properly recorded. We reviewed the Village's source documents, such as building permits and fire inspection records, and identified \$1,804 in recording errors, as follows:

- 17 building permits with collections totaling \$1,504 paid by credit card were not recorded in a timely manner, including \$1,255 of collections in the 2022 fiscal year. In the 2023 fiscal year, the Clerk-Treasurer identified the errors and properly recorded the collections.
- Collections for three building permits totaling \$150 were not initially recorded because \$50 was misplaced in the property folder associated with one permit, and \$100 for two permits lacked a record to properly identify the source. We verified that the \$150 was subsequently recorded after we notified the Clerk-Treasurer of the discrepancy.
- Three fire inspection source records totaling \$150 did not reconcile with the Village's accounting records due to departmental errors in recording the appropriate fee on the source records.

The Clerk-Treasurer told us that Code Enforcement credit card collections were not always recorded in a timely manner because the Code Enforcement clerk did not transfer funds from the online system to the Village's bank account in a

timely manner and he was unaware of his responsibility for recording credit card transactions in the Village's primary accounting records.

Timely Deposits – While Parks and Recreation collections were generally deposited in a timely manner, Cemetery collections and Code Enforcement permit collections were not. We determined that \$71,992 in collections were deposited late, including \$50,900 of Cemetery collections and \$21,092 of Code Enforcement permit collections. These Cemetery collections and Code Enforcement permit collections averaged 15 and 21 days late, respectively. Furthermore, \$1,255 in Code Enforcement permit collections paid by credit card in the 2021-22 fiscal year were not deposited into a Village bank account in a timely manner. This occurred due to the timing between when the credit card payments were made and when the Code Enforcement clerk prompted the payment system to transfer the credit card payment from the online system to the Village's bank account.

Finally, cash collections for three Code Enforcement permits from April, August and October of 2022, totaling \$150, were not deposited into the Village's bank account until we brought the issue to the Clerk-Treasurer's attention. She then made two deposits of \$100 and \$50 in March 2023 and June 2023, respectively.

We could not determine whether Code Enforcement fire inspection collections totaling \$6,250 were deposited in a timely manner because collection dates were not documented.

The Clerk-Treasurer told us that Cemetery collections were not deposited in a timely manner because Cemetery Department staff infrequently visited the Village Hall to remit funds. Code Enforcement collections were not deposited in a timely manner because the Department relied on a single clerk for processing collections, and the clerk neglected to transfer credit card funds from the online system to the Village's bank account.

Intact Deposits – Parks and Recreation and Cemetery collections were deposited intact. However, we were unable to determine whether Code Enforcement collections were deposited intact because records did not identify the form of collection (e.g., cash or check). Depositing collections in the same form as it was collected deters the cashing of checks from the proceeds of collections. The Code Enforcement Officer told us the program used to generate permits and certificates did not have an entry field on the application form. However, Village officials should establish receipt records that permit for an annual audit of records.

The Clerk-Treasurer said that when cash could not be reconciled at the end of the day, the excess cash was placed in an envelope with the date it was received and secured in a safe. The Clerk-Treasurer also told us that overages would usually be reconciled within the week of collection. However, because Village officials did not reconcile Code Enforcement's records and the primary accounting records, the overages were not reconciled in a timely manner.

These deficiencies occurred because Village officials did not reconcile departmental records to the primary accounting records and inter-departmental receipts were not used when collections were transferred from Village departments to the Clerk-Treasurer's office. Furthermore, the Clerk-Treasurer did not perform timely bank account reconciliations, which may have identified some of the deficiencies in this report.

Finally, the Board did not conduct or cause an annual audit of the Clerk-Treasurer's annual financial report and supporting records as required by New York State Village Law Section 4-408(e). Therefore, the Board did not ensure that financial records were complete and up to date and that transactions were recorded properly. The Manager told us the records were last audited by a Certified Public Accountant (CPA) in 2018. Although the Board engaged a CPA to conduct an annual audit of the fiscal year 2022 financial records, the audit was delayed due to the CPA's other responsibilities.

Had the Board conducted or caused an annual audit of the Clerk-Treasurer's annual financial report and supporting records, it may have recognized the deficiencies in the Village's procedures and records, and initiated corrective action. The Board's lack of oversight over the collections and recordkeeping contributed to the deficiencies identified during our audit period.

Because Village officials did not establish appropriate receipt records, including the use of inter-departmental receipts, reconcile department records with the Village's primary accounting records, complete bank reconciliations in a timely manner or conduct annual audits of the Clerk-Treasurer's records, taxpayers were not assured that all collections were properly recorded and deposited in a timely manner or intact. The lack of these controls increased the risk of theft, misuse and abuse without the possibility of detection.

What Do We Recommend?

Village officials should:

1. Establish receipt records that document the date, purpose, form and amount of money collected.
2. Reconcile departmental records with the Village's primary accounting records.
3. Use and maintain inter-departmental receipts when remitting collections to the Clerk-Treasurer's office for deposit.
4. Provide department heads with records to verify that collections remitted to the Clerk-Treasurer are deposited into Village bank accounts.

The Clerk-Treasurer should:

5. Record and deposit collections in a timely manner
6. Ensure credit card collections are deposited in Village bank accounts in a timely manner.
7. Complete monthly bank reconciliations in a timely manner.

The Board should:

8. Conduct an annual audit of the Clerk-Treasurer's annual financial report and supporting records as required.

Appendix A: Response From Village Officials



VILLAGE OF HORSEHEADS

Mayor Kevin Adams
Attorney John G. Groff
Clerk-Treasurer Donna Dawson
Manager Nathan Nagle

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HORSEHEADS, NY 14845
CLERK'S OFFICE - (607) 739-5691
VILLAGE MANAGER - (607) 739-5691
FAX - (607) 739-3941
www.horseheads.org

Deputy Mayor William Goodwin
Trustees Patricia Gross
George Koliwasky
Ron Finefrock

April 26, 2024

Office of the State Comptroller
Binghamton Regional Office
44 Hawley Street – Suite 1702
Binghamton, NY 13901

Re: Collections, Report of Examination 2023M - 169

On behalf of the Village of Horseheads, I would like to thank the Office of the State Comptroller (OSC) staff for the time spent conducting our audit. The audit process was educational and beneficial for the Village of Horseheads and its staff.

The Village received notification from OSC in October 2022, that a Village audit would be performed. Over the next 19 months OSC staff performed the audit of the Village. The process started with a Risk Assessment (RA) of Village operations. As a follow-up to the RA, the Comptroller's Office focused on Collections for the formal audit, using June 1, 2021, through January 31, 2023, as their audit period.

Village staff and I have reviewed the draft Report provided and have the following responses to some of their findings. A Corrective Action Plan (CAP) will be submitted within the next 90 days.

- **Recordkeeping and Timely Deposits** – The findings are accepted. The Village acknowledges that there were instances of recordkeeping errors and where collections were not properly recorded or deposited promptly. Since receiving the draft Report, the Village has educated staff as to the recordkeeping errors and the required timeline within which monies collected are to be recorded and deposited. As part of the CAP, additional measures will be implemented.
- **Intact Deposits** – The findings are accepted. During the audit, OSC staff impressed the Village with collection receipt records for each Department that collects funds. The use of these receipts' records will identify the form of payment: cash, check, credit card, etc. Further, as a better practice, Department Heads will be issued an internal receipt from the Clerk-Treasurer's Office verifying that monies have been received by the Clerk-Treasurer's Office. As part of the CAP, additional measures will be implemented.
- **Annual Audit of Clerk-Treasurer's Financial Report** – During the audit staff from OSC provided the Village with Annual Audit documentation and procedures that can now be used to perform an Annual Audit without the services of a CPA or similarly trained professional. Had this information been known previously, the Village would have expedited the annual

audit process using such documents and procedures. As part of the CAP, additional measures will be implemented.

A Corrective Action Plan (CAP) that addresses all recommendations of the Report of Examination is being written for review and approval by the Village of Trustees for later submission to the OSC.

The Village thanks the Office of the State Comptroller for its thorough review of its procedures and looks forward to improving its procedures to address all audit recommendations.

Sincerely, 

Nathan Nagle
Village Manager
Village of Horseheads

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, included the following:

- We interviewed Village officials and reviewed bank statements and revenue reports to gain an understanding of and evaluate the cash collection procedures for the Cemetery, Code Enforcement and Parks and Recreation Departments.
- We reviewed bank reconciliations for the Village's general savings account to determine their completeness.
- We used our professional judgment to select a sample of 106 Cemetery collections totaling \$100,263 over eight months during our audit period (May through December 2022). We selected the eight-month period to review a variety of collections at various times throughout the year. We reviewed Village records to determine whether the amount collected was recorded and deposited in a timely manner and intact.
- We completed a cash count of the Cemetery on December 20, 2022, to determine the undeposited amount of cash collections and whether it would be deposited in a timely manner and intact.
- We used our professional judgment to select a sample of 245 Code Enforcement collections totaling \$52,456 over 10 months during our audit period (January through October 2022). Our sample included collections for 174 building permits and 71 fire inspections. We selected the 10-month period to review a variety of collections at various times throughout the year. We attempted to determine whether these collections were recorded and deposited intact and in a timely manner. We compared the permit application date to the date of deposit to determine the timeliness of deposits.
- We used our professional judgment to select a sample of 1,258 Parks and Recreation collections totaling \$58,654 during five months of our audit period (May, June, July, and December 2022 and January 2023). We selected the five months during our audit period to review a variety of collections at various times of the year. We reviewed Village records to determine whether the amount collected was recorded and deposited in a timely manner and intact.
- We compared Cemetery, Code Enforcement and Parks and Recreation records to the Village's primary accounting records to identify discrepancies.

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- We requested Village records and spoke with officials to determine whether the Board conducted an annual audit of the Clerk-Treasurer's annual financial report and supporting records.

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 Village Clerk-Treasurer'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

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Contact

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Division of Local Government and School Accountability
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<https://www.osc.ny.gov/local-government>

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

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