



Village of Madison

Collections

2023M-160 | February 2024

Contents

- Report Highlights 1**

- Collections 2**
 - How Should Village Officials Safeguard Cash Collections? 2

 - The Clerk-Treasurer Did Not Always Record and Deposit Collections in a Timely Manner 2

 - Village Officials Did Not Perform Reconciliations of Water and Ambulance Receivable Accounts and Collections 4

 - The Board Did Not Audit the Clerk-Treasurer’s Records and Reports 5

 - What Do We Recommend? 6

- Appendix A – Response From Village Officials 8**

- Appendix B – Audit Methodology and Standards 9**

- Appendix C – Resources and Services 11**

Report Highlights

Village of Madison

Audit Objective

Determine whether the Village of Madison (Village) Clerk-Treasurer recorded and deposited all collections accurately and timely.

Key Findings

The Clerk-Treasurer accurately recorded collections. However, the collections were not always recorded and deposited in a timely manner and the Board of Trustees (Board) did not establish adequate controls for collections.

- The Clerk-Treasurer did not make timely deposits for 247 collections totaling \$120,743 and did not record 27 water fund collections totaling \$4,120 in a timely manner.
- Officials did not receive any reports from a third-party vendor (billing company) showing ambulance billings, collections, write-offs and unpaid balances.
- Officials did not perform reconciliations of water and ambulance receivable accounts and the Board did not approve adjustments and write-offs.
- The Board did not audit the Clerk-Treasurer's records and reports.

Key Recommendations

- Record and deposit collections in a timely manner.
- Develop written policies and establish procedures for the cash collection process.
- Ensure water and ambulance receivable control accounts are maintained and periodically reconciled.
- Provide adequate oversight of the Clerk-Treasurer's activities and annually audit the Clerk-Treasurer's records and reports.

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

Audit Period

June 1, 2022 – November 15, 2023

Background

The Village is located in the Town of Madison (Town) in Madison County (County).

The Village is governed by an elected Board composed of a Mayor and two Trustees. The Board is responsible for the oversight and general management of Village financial activities. The Mayor is the chief executive officer.

The Board-appointed Clerk-Treasurer is the chief fiscal officer and is responsible for the Village's day-to-day financial activities including collecting real property tax payments, water rents, ambulance service payments and other Village revenues.

Quick Facts

| | |
|-------------------------------|-----------|
| Population | 311 |
| Total Amounts Reviewed | |
| Number of Collections | 485 |
| Dollar Amount of Collections | \$605,057 |

Collections

How Should Village Officials Safeguard Cash Collections?

A village clerk-treasurer is responsible for ensuring that transactions are properly recorded and accounting records are up to date, complete and accurate. All collections should be recorded immediately upon receipt into a cash receipts journal, held in a secure location and deposited within 10 days of receipt. If material amounts are received, deposits should be made more often. A clerk-treasurer is also required to issue pre-numbered duplicate receipts when no other satisfactory evidence for audit purposes is available, such as a bill stub or other documentation to support a payment remittance.

In addition, a receivable control account should be maintained for all billed charges. A receivable control account is an accounting record for recording and summarizing total billings, total collections, adjustments, and the outstanding balance of billed receivables. To ensure accurate records and detect errors, the control account should be periodically reconciled to the amounts billed, the amounts collected, and the remaining unpaid balances reflected in individual customer accounts.

The Clerk-Treasurer Did Not Always Record and Deposit Collections in a Timely Manner

We reviewed a total of 485 general and water fund collections totaling \$605,057. These included 436 general and water fund collections totaling \$127,131 for the general fund from June through August 2022 and for the water fund from March through May 2023. We also obtained information from outside sources (i.e., New York State (NYS), Madison County and Town of Madison) and reviewed Board meeting minutes and identified the remaining 49 payments totaling \$477,926 to the Village for the period from June 2022 through June 2023, excluding the collections in the previous test months.

We compared recorded collections on manual cash receipt logs to available supporting documentation and traced collections to the computerized accounting records and bank deposits and compositions to determine whether they were accurately recorded and deposited in a timely manner. We verified that all collections were deposited intact. However, the Clerk-Treasurer did not always record and deposit collections in a timely manner.

Recorded – The Clerk-Treasurer did not record 27 water fund collections totaling \$4,120 in a timely manner. The Village received these collections between May 20, 2023 and May 30, 2023, and as of August 25, 2023, the collections had not been recorded in the Village’s computerized accounting records. The Clerk-Treasurer told us the Village was in the process of transitioning to a new accounting system and the water module was not set up to be able to record the water fund collections. Except for minor discrepancies discussed with Village

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officials, the Clerk-Treasurer accurately recorded the remaining 458 general and water fund collections in the accounting records in a timely manner.

Deposited – Although required to be deposited within 10 days, the Clerk-Treasurer did not deposit 247 of 451 collections (55 percent) totaling \$120,743 in a timely manner. On average, the Clerk-Treasurer deposited these collections five days late, with the latest collection deposited 25 days late. The Clerk-Treasurer told us collections are not always deposited within 10 days or as frequently as they should be because he is the only one making deposits and does not get to the bank as often as he should. The remaining 34 general fund collections totaling \$19,827 were NYS electronic direct deposits into the Village’s bank account.

When collections are not recorded and deposited in a timely manner, the risk that funds may be lost or stolen increases.

In addition, while the Clerk-Treasurer did maintain a duplicate receipt book, the receipts are not press-numbered. Therefore, press-numbered duplicate receipts were not issued for cash collections when received. These receipts should be in duplicate format, pre-numbered and include adequate information to identify who made the payment, who collected it, the form of payment (cash or check) and the date payment was received. Reconciliation of recorded cash receipts documentation to detailed activity records and financial reports can aid officials in identifying recordkeeping errors, incorrect fees charged or patterns indicative of fraud. We also observed that the receipt book is not being used routinely as only five receipts were issued from June 2022 through June 2023. In addition, collections are stored in an unlocked filing cabinet located in the Village office until the Clerk-Treasurer makes a deposit at the bank. Although the Village office is locked when not in use, several Village staff members have access to the office and to the unlocked filing cabinet.

These issues occurred, in part, because the Board did not establish adequate internal controls over cash collection. The Board did not adopt written cash collection policies to provide guidance and convey its expectations to the Clerk-Treasurer and it did not provide adequate oversight of the Clerk-Treasurer’s work. As a result, the Clerk-Treasurer had complete control over the cash collection process, including receiving, depositing and recording all collections. When staffing levels make it difficult to segregate financial duties, the Mayor and Board should become more involved to ensure there is sufficient oversight and review of cash collection activities.

...[T]he Board did not establish adequate internal controls over cash collection.

Village Officials Did Not Perform Reconciliations of Water and Ambulance Receivable Accounts and Collections

The Clerk-Treasurer handles all Village cash collection duties and is also responsible for recording customer water usage, preparing and sending water bills, recording payments in the customers' accounts and making adjustments to customer account balances.

The Village contracts with a billing company to assist with ambulance billing and payment processing. The billing company processes and sends bills for ambulance services to patients or their health insurance providers and maintains records of billings, payments, adjustments and unpaid balances. The billing company receives check payments for ambulance charges and remits the checks to the Clerk-Treasurer several times a month for deposit into the Village's bank account. Payments received from Medicare and Medicaid are deposited directly into the Village's account.

Water – The Clerk-Treasurer maintained a water rents receivable control account. However, he told us he had not attempted to reconcile the receivable balance to the total of the unpaid customer account records in the last several years. We compared the water rents receivable control balance to a list of unpaid customers as of April 24, 2023 and determined that the receivable balance was \$3,978 less than the list of customers that owe payments.

In addition, we identified 43 adjustments made from June 2022 through June 2023 by the Clerk-Treasurer totaling \$4,470 to reduce water customer account balances. These adjustments were not reviewed or authorized by the Board. We determined that 12 adjustments totaling \$4,054 (91 percent) were made to account for the relevy of the unpaid water bills onto the taxpayers' property tax bills. While the Clerk-Treasurer reported that \$4,000 in unpaid water bills had been sent to the County for relevy, a list of the customer names and individual amounts was not provided to the Board and the Board did not approve the relevies. The remaining 31 adjustments totaling \$416 were also not Board approved and the Board has not established any written policies or procedures for approving customer account adjustments. The Clerk-Treasurer told us the Board has approved adjustments in the past but he did not seek Board approval for adjustments made during the period we reviewed. In addition, neither the Mayor nor the Board reviewed adjustment reports that showed the changes made to customer accounts in order to monitor account activity.

The maintenance of receivable control accounts and periodic reconciliation with the total of the individual customer account balances is an important control to detect differences that need further investigation. Such differences could be attributable to errors, unauthorized adjustments to customer accounts, or payments posted to customer accounts that were not deposited.

...[W]e identified 43 adjustments made from June 2022 through June 2023 by the Clerk-Treasurer totaling \$4,470 to reduce water customer account balances.

Ambulance – Although the billing company remitted check payments to the Village, it did not provide any reports showing the amount of ambulance charges billed, collected and still due. As a result of our inquiry during audit fieldwork, the vendor provided a report to the Village that included the total amount of ambulance service payments remitted to the Village totaling \$91,960 from June 2022 through June 2023. The report also showed an ending receivable balance of \$32,388 and it included a total of \$3,604 in charges due to the Village that were written off by the vendor.

The Clerk-Treasurer and former Village Emergency Medical Services (EMS) Supervisor told us they were unaware that the vendor was writing off potential revenue due to the Village during the year and the Board had not approved the write-offs or established any written policies or procedures for approving write-offs. In addition, the Clerk-Treasurer, former EMS Supervisor and Board were not aware of the \$32,388 receivable balance and they did not know over what period of time the balance had accumulated. Because the Village did not receive periodic reports showing billing and payment activity, the Clerk-Treasurer was unable to maintain a receivable control account to help ensure ambulance billings, collections and unpaid balances were properly accounted for.

In addition, the vendor billed the Village for its services based on the payments the vendor processed and it provided the Village a monthly invoice, which lists the ambulance service payments received for the prior month and the amount due to the vendor. The Village pays the vendor invoice without performing a reconciliation to ensure all the ambulance service payments listed in the monthly invoice were received by the Village and deposited and the fees charged by the vendor were appropriate.

We performed a reconciliation by tracing 106 customer payments totaling \$20,134 that were included on the billing company's invoices for a three-month period to the collections recorded by the Clerk-Treasurer and corresponding bank deposits. Except for minor discrepancies discussed with Village officials, the Clerk-Treasurer received and deposited all the payments tested.

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

The Board did not audit, or cause an audit of, the Clerk-Treasurer's records and reports as required by New York State Village Law Section 4-408(e). All three Board members told us they were not aware that an annual audit was required.

Without an audit there is no independent verification that transactions have been accurately recorded and cash is properly accounted for. An audit is even more important when cash collection procedures are not properly segregated and there is no regular review of the Treasurer's work. Without sufficient review of the Clerk-

...[T]he Clerk-Treasurer, former EMS Supervisor and Board were not aware of the \$32,388 receivable balance and they did not know over what period of time the balance had accumulated.

Treasurer's financial duties and an audit, the Village has an increased risk that errors and/or irregularities could occur and remain uncorrected.

What Do We Recommend?

The Clerk-Treasurer should:

1. Record and deposit all collections in a timely manner.
2. Issue and retain press-numbered duplicate receipts when there is no other evidence showing the funds collected.
3. Establish and maintain a receivable control account for ambulance charges.
4. Provide the list of unpaid water customer account balances to the Board and obtain Board approval prior to submitting unpaid balances to the County for relevy on the real property tax bills.

The Board should:

5. Ensure that all cash collections are adequately secured prior to deposit.
6. Adopt written policies and develop procedures for the collection and accounting of cash receipts and the approval and documentation for write-offs and adjustments to customer accounts.
7. Segregate the Clerk-Treasurer's duties to the extent possible and/or provide adequate oversight of the Clerk-Treasurer's work to mitigate risks.
8. Ensure receivable control accounts are maintained for water and ambulance charges and periodically reconciled with the total of the unpaid customer accounts. If the reconciliations are performed by the Clerk-Treasurer, they should be reviewed by someone independent of the collection process.
9. Approve all adjustments made to water customer accounts and ensure someone independent of the collection process reviews adjustment reports showing the changes made.
10. Require the billing company to provide periodic reports showing ambulance billings, collections, adjustments, proposed write-offs and unpaid balances.
11. Approve all write-offs of ambulance billings before they are made by the billing company.

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12. Ensure someone independent of the cash collection process reconciles ambulance collections to the monthly invoice from the billing company to ensure all ambulance service payments have been received and invoices are accurate.
 13. Conduct an audit, or arrange for an audit, of the Clerk-Treasurer's records and reports on an annual basis as required.

Appendix A: Response From Village Officials

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February 8, 2024

RE: Audit Response

This is an acknowledgment of receipt of the audit report for the Village of Madison. We have read the findings and noted the areas that need adjustments. The Clerk and Board are endeavoring to correct said findings. We appreciate the advise of auditors and the assistance they have given in aiding us to correct the specific areas that we need to examine and correct.

We are currently working on policies that will better outline essential time criteria. This will include Auditing procedures by the Board, using a numbered receipt book, recording daily cash receipts within 2 weeks, directing the ambulance billing company to notify us on a monthly basis of billing so we may review, the clerk will present for approval water relevy on taxes to the Board, a locked cabinet has been secured for cash receipts and petty cash, we will institute for Board approval the adjustments for write offs (ambulance and water), over site by Mayor or designated board member to over see clerk-treasurers duties and and to mitigate risks, Board shall review water and ambulance charges and customer accounts, the Board shall conduct an annual Water Budget, General Budget and Ambulance Billing summary, lastly the Board will also decide whether to grant permission to seasonal water users.

Regards,

The Village of Madison Board and Clerk

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 the Clerk-Treasurer and other Village officials and reviewed Board meeting minutes to gain an understanding of internal controls related to receiving, recording, and depositing collections and to determine whether written policies and procedures for the Clerk-Treasurer's collection process had been established.
- We selected for review three sample months for the general fund (June through August 2022) and water fund (March through May 2023) without expectations of greater or lesser results, and tested cash collections for timeliness of recording and deposits. We obtained and reviewed deposit compositions for our sample months to determine whether the deposits were made intact and accurately.
- We obtained information from outside sources (NYS, Madison County and Town of Madison) and reviewed Board meeting minutes to identify payments to the Village for the period from June 2022 through June 2023 (excluding the previous test months). We traced all 49 receipts to the Village's accounting records and deposits on bank statements to determine whether the collections were properly recorded and deposited timely and intact.
- We compared the water receivable control account balance to the list of unpaid customer accounts as of April 24, 2023, to determine whether the balances reconciled.
- We reviewed all adjustments made to water customer accounts to determine whether the adjustments were approved by the Board.
- We selected for review three sample months (June through August 2022) without expectations of greater or lesser results and performed a reconciliation by comparing the amount listed on the billing company invoices to deposit compositions and bank statements to determine whether all ambulance payments included in the invoices were received and deposited.

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.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

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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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