



Peconic Bay Community Preservation Fund

2023-MR-1 | February 2024

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Report Highlights

Peconic Bay Community Preservation Fund

Audit Objective

Determine whether officials from the Towns of East Hampton, Riverhead, Shelter Island, Southampton, and Southold (Towns) 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 from all five Towns ensured disbursements were proper and supported, and debt service payments were for legitimate CPF purposes and properly allocated.

However, Town of Riverhead officials did not always record dates collections were received or deposit payments in a timely manner. Town of Riverhead officials did not:

- Record dates CPF collections were received for seven out of 27 CPF collections.
- Deposit nine CPF collections totaling \$5.3 million within 10 days, as required by Town Law Section 29.

Key Recommendations

- Ensure Town of Riverhead personnel who receive CPF collections are aware of, and follow, collection procedures.
- Ensure Town of Riverhead personnel who receive CPF collections record when all CPF collections are received.
- Ensure CPF collections are deposited in a timely manner.

Audit Period

January 1, 2021 – December 31, 2022

Background

All five Towns are located in Suffolk County (County) and are governed by their respective five- to six-member Town Boards (Board), which includes their Town Supervisor (Supervisor). The Supervisor serves as the chief fiscal officer. Individual Town facts are compiled in Appendix A, Figure 2 of this report.

This global report summarizes the findings at all the Towns audited. Each Town received its own individual report on their specific findings. Excerpts from Town officials' responses to this report are listed in Appendix B. Town officials' full responses on their specific findings can be found in the individual reports.

Quick Facts

Towns Audited	5
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As of December 31, 2022

Total open space, farmland, parks, and historic sites preserved to date	12,766 acres
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Total Cash on Hand	\$350.2 million
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2021-2022

Collections	\$403.6 million
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Disbursements	\$179.3 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 Towns 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 Towns. The CPF's overall goal is to preserve open land and farmland in the Towns, 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 applicable CPF officials, in each Town is responsible for overseeing the CPF's financial activities and safeguarding its resources.

What Procedures Should the Towns 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:

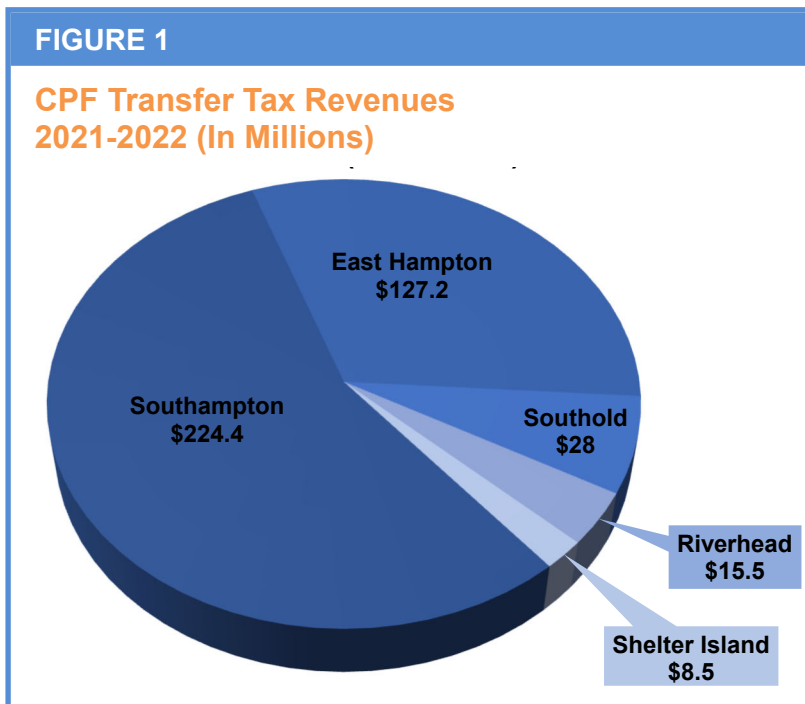
- Ensuring that all assessed real estate transfer taxes are remitted,
- Issuing duplicate press-numbered receipts when there is no other supporting documentation of collections,
- Reconciling money collected with deposits,
- Ensuring collections are deposited intact (i.e., in the same amount and form [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.

Officials in the Town of Riverhead Did Not Follow CPF Collections Procedures and Collections Were Not Always Properly Recorded or Deposited in a Timely Manner

The CPF 2 percent transfer tax on real property transfers within each Town is generally collected by the County and is remitted to the Towns on a monthly basis. The tax imposed on transfers of real property that do not involve the transfer of a deed (i.e., shares in a condominium or co-operative housing) are

collected directly by each Town. The transfer tax became effective as of April 1, 1999 and has a sunset date that has been extended through legislation to December 31, 2050.¹

Town Law also authorizes the CPF of each Town to accept gifts of funds or any interests in land. Any interest accrued by monies deposited into the CPF must be credited to the CPF. During our audit period, the CPFs established in the five Towns collectively generated revenues of approximately \$403.6 million (Figure 1).²



We reviewed 68 CPF collections from the five Towns totaling \$128.1 million to determine whether they were properly received, deposited timely and intact and accurately recorded. The 52 deposits totaling \$117.4 million from four of the Towns were properly received, deposited timely and intact, and accounted for.

1 Initially authorized by Chapter 114 of the Laws of 1998, the life of the 2 percent real estate transfer tax was originally scheduled to end at December 31, 2010. However, the New York State Legislature extended this date first to December 31, 2020 with Chapter 250 of the Laws of 2002, then to December 31, 2030 with Chapter 391 of the Laws of 2006 and ultimately to December 31, 2050 with Chapter 551 of the Laws of 2015.

2 Includes transfer tax revenues, but may not reflect gifts, donations, or interest

However, for one Town, Riverhead, although all 27 collections totaling \$15.5 million were deposited intact:

- Supporting documents for seven collections totaling \$5.3 million did not have the dates Town officials received them (therefore, we could not confirm whether Town of Riverhead officials deposited these collections in accordance with Town Law), and
- Of the 20 CPF collections with received dates that were recorded, Town officials deposited nine collections totaling \$5.3 million an average of 18 days, and as much as 28 days, after they were recorded as received.

Town of Riverhead officials, including the Financial Administrator and CPF Coordinator, said that these issues were due to high personnel turnover and disruptions to various Town processes, including CPF collection procedures, during the audit period. As a result, not all Town personnel involved in the CPF collections process were aware of the collection procedures, and delivery of the CPF collections checks between Town offices and departments through interdepartmental mail was often delayed. However, we noted officials should have ensured all personnel involved in the CPF collections process were made aware of the Town's CPF collection procedures, and could have made alternate arrangements for the pickup of CPF collections to mitigate, or prevent, delays in deposits.

Disbursements Were Proper and Supported

The five Towns made a combined 1,691 disbursements totaling \$179.3 million during the audit period in connection with their CPFs. Across the five Towns, we reviewed 77 disbursements totaling \$26.5 million 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.

For the Towns of East Hampton, Southold, and Riverhead, which had outstanding CPF debt, we reviewed all 69 debt service payments totaling \$17.3 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.

What Do We Recommend?

The Town of Riverhead officials should:

1. Ensure Town personnel who receive CPF collections are aware of, and follow, all collection procedures.
2. Ensure Town personnel who receive CPF collections record when all CPF checks are received.
3. Ensure CPF collections are deposited in a timely manner, within 10 days or less of receipt.

Appendix A: Individual Town Facts

Figure 2: Individual Town Facts

Town	As of December 31, 2022		2021-2022	
	Total open space, farmland, parks and historic sites preserved to date (in acres)	Total Cash on Hand	Collections	Disbursements
East Hampton	2,352	\$70.3 million	\$127.2 million	\$105 million
Riverhead	2,280	\$12.4 million	\$15.5 million	\$18,825
Shelter Island	376	\$10.7 million	\$8.5 million	\$6 million
Southampton	5,050	\$229.9 million	\$224.4 million	\$52.2 million
Southold	2,708	\$26.9 million	\$28 million	\$16.1 million
Total	12,766	\$350.2 million	\$403.6 million	\$179.3 million

Appendix B: Responses From Town Officials

We provided a draft copy of the global report to all five Towns we audited and requested a response from each. We received global responses from the Towns of East Hampton and Southold. The Towns of Riverhead, Shelter Island and Southampton had no additional comments and referred to their individual letter responses.

Town officials generally agreed with our findings and recommendations. The following comments were excerpted from the responses received. Comments that were specific to findings at a particular Town are not included here but are instead addressed in its individual report. Each Town's individual report includes the Town's response to our audit of the Town.

Town of East Hampton officials said: "...[W]e agree with the findings as they relate to East Hampton and support the methodologies used during the course of the review."

Town of Southold officials said "...[W]e have received and reviewed the report, and offer no additional comments or views. ..."

Appendix C: 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 for collecting and recording revenues and disbursing funds for the Town's CPF.
- We used our professional judgment to select a sample of 68 collections totaling \$128.1 million and verified the 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 77 disbursements totaling \$26.5 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 69 debt service payments totaling \$17.3 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 relevant population size and the sample selected for examination.

Appendix D: 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

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