



Town of Riverhead

Peconic Bay Community Preservation Fund

P7-23-25 | February 2024

Contents

- Report Highlights 1**

- Community Preservation Fund 2**
 - What Procedures Should the Town Have for CPF Collections and Disbursements? 2

 - Procedures Were Not Followed and Collections Were Not Always Properly Recorded or Deposited in a Timely Manner 2

 - Disbursements Were Proper and Supported 3

 - What Do We Recommend? 4

- Appendix A – Response From Town Officials 5**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services 8**

Report Highlights

Town of Riverhead

Audit Objective

Determine whether Town of Riverhead (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 disbursements were proper and supported. However, Town officials did not always follow the Town's collections procedures and, as a result, did not always maintain complete collections records or deposit collections in a timely manner. Specifically, of the Town's 27 CPF collections totaling \$15.5 million:

- Seven collections totaling \$5.3 million were missing the date received at the Supervisor's Office; therefore, we could not confirm whether Town officials deposited these collections in a timely manner.
- Nine CPF collections totaling \$5.3 million were not deposited within 10 days, as required by Town Law Section 29. The collections were deposited an average of 18 days, and as much as 28 days, after they were recorded as received.

Key Recommendations

- Ensure Town personnel who receive CPF collections are aware of, and follow, collections procedures.
- Maintain complete collection records, including the date CPF checks are received.
- Deposit CPF collections in a timely manner.

Town officials disagreed with certain aspects of our findings and recommendations, but indicated they have initiated corrective action.

Audit Period

January 1, 2021 – December 31, 2022

Background

The Town is located in Suffolk County (County) and includes nine hamlets.

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 Deputy Town Attorney (CPF Coordinator) is responsible for the administration of the Town's CPF program and relies on the Accounting Department 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	2,280 acres
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Total Cash on Hand	\$12.4 million
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2021-2022

Collections	\$15.5 million
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Disbursements	\$9.3 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 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 CPF Coordinator, 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.

Procedures Were Not Followed and Collections Were Not Always Properly Recorded or Deposited in a Timely Manner

Town officials established CPF collections procedures that require a Town driver/messenger to retrieve the monthly transfer tax checks and related forms from the County Comptroller's Office, delivering them to the Town's Accounting Department where the Account Clerk Typist enters the deposit in the Town's financial system. After the Deputy Financial Administrator reviews and posts the deposit, a Town

police officer deposits the CPF checks at the bank either the same day or the day after the checks are received by the Accounting Department.

We reviewed all 27 CPF collections totaling \$15.5 million made during the audit period to determine whether they were properly receipted, deposited intact within 10 days and accurately recorded.

Although all CPF collections were deposited intact, the supporting documents for seven collections totaling \$5.3 million did not have the dates on which Town officials received them; therefore, we could not confirm whether Town officials made timely deposits of these collections in accordance with Town Law. The Financial Administrator said that, due to Town staffing issues, a County courier sometimes delivered the checks and tax forms to Town Hall instead of a Town driver/messenger picking them up. Available Town Hall personnel would then sign for the check and related forms and send them to the Accounting Department without recording the date the checks were received.

In addition, 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. The Financial Administrator, Deputy Financial Administrator, and CPF Coordinator said that the delays in deposits occurred because, instead of being remitted directly to the Accounting Department, these nine checks were first delivered to either the Supervisor's Office or Town Attorney's Office in Town Hall before being sent to the Accounting Department, located in a different Town building.

Because the Town's CPF collections procedures were not followed, collections were not always properly recorded and deposited in a timely manner. Without proper records that include when checks were received or timely notifications that checks were available for deposit, Town officials cannot ensure that the checks were deposited in a timely manner.

Disbursements Were Proper and Supported

Annual Audit – For the annual external audit, the Financial Administrator or Deputy Financial Administrator receives the invoice from the CPF external auditor after the final report is issued. The Account Clerk Typist prepares the receipt of goods and services form (form) with the vendor invoice attached, verifies that the service and amount charged in the vendor invoice are in line with the approved request for proposal, and enters the vendor invoice in the Town's financial system. The Financial Administrator or Deputy Financial Administrator reviews and signs the form and posts the vendor invoice in the Town's financial system and cuts the vendor check, reviewing it for completeness and accuracy. The vendor check, and data from the vendor invoice is included in the next warrant to be approved by the

Board via resolution at a scheduled Town Board meeting after which the vendor check is mailed out.

Debt Service Payments – The Town makes bond principal and interest payments every June and August of each year, and bond interest payments every February and December of each year.

We reviewed the 43 debt service payments totaling \$9.3 million and the two disbursements for annual external audits totaling \$18,825 paid during the audit period to determine whether the disbursements were for legitimate CPF purposes, properly approved before payment and supported by adequate documentation, such as itemized invoices or receipts. The debt payments and audit expenditures were for legitimate CPF purposes, adequately supported and approved prior to payment.

What Do We Recommend?

The Supervisor should:

1. Ensure Town personnel who receive CPF collections are aware of, and follow, collections 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: Response From Town Officials



TOWN OF RIVERHEAD

YVETTE M. AGUIAR, TOWN SUPERVISOR

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Riverhead, NY 11901
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December 19, 2023

Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Attention: Ira McCracken, Chief of Municipal Audits

Re: Town of Riverhead Peconic Bay Community Preservation Funds

Dear Mr. McCracken:

Please accept this correspondence as a response to the draft audit in connection with the above-referenced matter.


The key findings do not adequately reflect County of Suffolk change of procedure and its negative impact to established Town procedure. The towns located within the Peconic Bay Region, including the Town of Riverhead, all designate the Suffolk County Treasurer to act as agent for the collection of Peconic Bay transfer tax. (See- Town Code for the Town of Riverhead §221-13 and §221-21). The real estate transfer tax shall be paid to the Suffolk County Treasurer and thereafter, the Suffolk County Treasurer shall on or before the 12th day of each month pay to the Town Supervisor the taxes, penalties and interest imposed by the Town under the authority of this article, collected by the Treasurer pursuant to this article during the preceding calendar month. (See Town Code § 221-15 and § 221-24)

The Town explained that on or about the commencement of COVID pandemic and continuing through the audit period, the County of Suffolk changed its routine practice of delivering the payments, along with the requisite certification from the Suffolk County Treasurer, to the Office of the Financial Administrator (formerly located at Pulaski Street, Riverhead, New York) and instead to delivered to the welcome desk at Town Hall (formerly located at 200 Howell Avenue) or Office of the Town Attorney.

Moreover, and acute during the audit period, the well published massive cyberattack of Suffolk County's information technology system in December of 2021 (although not yet realized until early fall of 2022), required the County of Suffolk to not only disable 10,000 civil service emails, but scrub software to stave off intrusion with some services related to real property, sewer bills, etc. yet to be restored impacting timely delivery of the payments from Suffolk County. The change in delivery and timeliness of delivery to the Town did impact logging of date received and necessitated the Town adding an additional step of creating a memorandum of transfer to Office of the Financial Administrator and mail courier from Town Hall to the Office of the Financial Administrator impacting logging of date of receipt and timely transfer from one



town building to another frustrating deposit schedule. It should be noted that the Town of Riverhead has centralized its offices and Town departments, including Office of Supervisor, Office of the Financial Administrator and Office of the Town Attorney (all located at 4 West Second Street, Riverhead, NY) thus addressing and eliminating delay related to delivery to the welcome desk, Office of Supervisor or Office Town Attorney vs Office of the Financial Administrator.

Yours truly, 

Yvette M. Aguiar 
Riverhead Town Supervisor

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 for collecting and recording revenues and disbursing funds for the Town's CPF.
- We verified the deposit amounts from the bank statements to the CPF general ledger to ensure they were properly recorded for all 27 bank deposits totaling \$15.5 million.
- We verified the two disbursements totaling \$18,825 made during our audit period 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 43 debt service payments totaling \$9.3 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 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

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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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