



# City of Salamanca

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## Collections

**2023M-131 | March 2024**

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# Report Highlights

## City of Salamanca

### Audit Objective

Determine whether the City of Salamanca (City) City Comptroller's (Comptroller) collections were recorded and deposited in a timely and accurate manner.

### Key Findings

The Comptroller's collections were not always accurately recorded and because adequate collection records were not always maintained, we could not determine whether deposits were generally made in a timely manner.

We reviewed 29 deposits totaling nearly \$2 million that consisted of 1,835 entries made during our audit period and determined:

- 1,759 entries lacked a duplicate press-numbered receipt which precluded us from determining whether deposits were made in a timely manner.
- 34 entries totaling approximately \$50,000 did not have the correct form of payment (cash or check) listed in the collection records.
- 26 entries totaling approximately \$18,000 did not have either the correct check number included on the collection records, or no check number was listed at all.

While we found no collections were lost, misused or misappropriated, because complete and reliable collections are not always maintained, the risk of City collections being lost, misused or misappropriated increased.

### Key Recommendation

- Ensure complete and accurate collection records are maintained for each transaction.

City officials agreed with our findings and indicated they would initiate corrective action.

### Audit Period

April 1, 2020 – May 22, 2023

### Background

The City, located in Cattaraugus County, is governed by a City Charter (Charter), State statutes and local laws and ordinances. The five-member elected Council is the City's legislative branch and is responsible for the general oversight of City operations and finances.

The Mayor is the City's chief executive officer and is responsible, along with other officials and staff, for managing day-to-day operations.

The Comptroller is the City's chief financial officer and is responsible for supervising fiscal affairs as well as the custody, recording and depositing of City funds received in the Comptroller's office.

#### Quick Facts

Fiscal Year	April 1 – March 31
Deposits April 2021 – December 2022	\$29.8 million
Deposits Reviewed January 2022 – March 2022	
Dollar Amount	\$2 million
Number of Deposits	29

# Collections

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## What Are Accurately Recorded and Deposited Collections?

Accurately recorded collection records consist of either manual or electronically prepared daily journals that precisely record for each transaction:

- How much was received,
- Who received it,
- From whom it was received,
- When it was received,
- What it was received for, and
- In what form (cash, check, electronic payment) it was received.

To help determine the accuracy of the collection records, a pre-numbered duplicate receipt should be issued for each collection that also shows the same detail as in the daily journal.

To further safeguard collections and allow a reviewer to determine the accuracy of collection records and subsequent deposits made, they should be deposited intact (in the same amount and manner or form, cash or check, as they were received) as soon as possible after collection. By requiring that the form of collections (cash or check) be recorded and that all collections be deposited intact, officials can deter theft and prevent cash collectors from misappropriating cash and concealing the theft with checks or other forms of payment. These practices also enhance controls by creating a paper trail or record for an independent party to verify collections and trace specific cash receipts through the accounting records to the bank deposits.

Because collections represent a significant activity for a city, and can include a significant number of cash transactions, they inherently carry substantial risks. Without accurate collection records and deposits made in a timely manner, there is a heightened risk that funds could be lost, misused or misappropriated and go undetected.

## Collections Were Not Accurately Recorded or Deposited in a Timely Manner

We reviewed<sup>1</sup> 29 deposits totaling nearly \$2 million that consisted of 1,835 entries made during our audit period and determined that collection records maintained by the Comptroller's office did not accurately record all collections made. In addition, because duplicate receipts were not issued for 1,759 of these entries, we could not determine whether records and deposits were completed in a timely manner. Our review of the collection records noted:

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<sup>1</sup> See Appendix B for sampling methodology.

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- 34 entries totaling approximately \$50,000 did not have the correct form of payment (cash or check) listed in the collection records. It is critical that collection records accurately list the form of payment so that a reviewer can determine whether deposits are made intact.
  - 26 entries totaling approximately \$18,000 did not have either the correct check number included on the collection records, or no check number was listed at all. Incomplete or inaccurate collection records could result in errors or irregularities going undetected and corrected.

The current Comptroller,<sup>2</sup> who was the senior accountant in the Comptroller's office during our audit period, told us that he had not received any guidance from either the former Comptroller, or the Council, that receipts needed to be issued or what information needed to be entered into the daily collection records. He told us that he and other staff members only entered what information they felt was needed into the daily collection records. As a result, critical information, such as check numbers and payees, was not always recorded.

According to Council members we spoke with, the Council did not create and adopt collection policies or procedures for the Comptroller's office detailing what information they expected to be included, such as payees, check numbers and the date of collection, because until our audit, they had not familiarized themselves with the specific contents of the Charter and did not know that they could prescribe the format and content of the Comptroller's daily and monthly financial reports. They told us that they relied on the former Comptroller to handle all collection activity for her office pursuant to the requirements listed in the Charter. The Charter, however, does not include specific information that should be included in daily collection records or when deposits should be made.

As a result of the Council not adopting policies and procedures that communicated its expectations for the recording and depositing of collections, and of office staff determining what information should be entered into daily collection records, collection records maintained were unreliable. This created an environment that significantly increased the risk that collections could have been lost, misused or misappropriated.

## What Do We Recommend?

The Council should:

1. Adhere to Charter provisions and provide oversight by prescribing the format and content of financial reports.
2. Establish and adopt policies and procedures for recording and depositing collections in the Comptroller's office.

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<sup>2</sup> The former Comptroller resigned from City service on August 12, 2022.

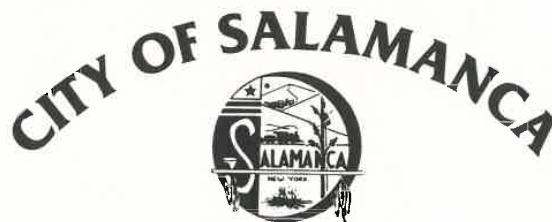
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The Comptroller should:

3. Ensure that duplicate press-numbered receipts are issued for each collection when no other form of receipt is available.
4. Maintain accurate daily collection records for each transaction that include:
  - How much was received,
  - Who received it,
  - From whom it was received,
  - When it was received,
  - What it was received for, and
  - In what form (cash, check, electronic payment) it was received.

# Appendix A: Response From City Officials

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February 05, 2024

Melissa A. Myers  
Chief of Municipal Audits  
295 Main Street  
Suite 1032  
Buffalo, NY 14203-2510

RE: Examination 2023M-131

To: Melissa A. Myers

The City of Salamanca respectfully submits its response to the performance audit conducted by the state auditor's office for the audit period of April 1, 2020 – May 22, 2023. We are in agreement with the findings of examination report 2023M-131 (City of Salamanca Collections) and will provide a response to how the City of Salamanca plans to correct these findings in our corrective action plan, which will follow after the final report is issued.

The City Mayor and City Comptroller would like to thank the team(staff) from the New York State Comptroller's office that was assigned to our city with regard to their courtesy and professionalism exhibited during our audit.

Sincerely,

Sandra Magiera  
City Mayor

## Appendix B: Audit Methodology and Standards

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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 City officials, including the Mayor, Council members, City Clerk and Comptroller to gain an understanding of the City Comptroller's office process for collecting, depositing and recording collections.
- We used our professional judgment to select and review, based on the risk of fraud, a sample of 29 deposits totaling approximately \$2 million. To select these 29 deposits, we identified all deposits made from April 1, 2021 through December 31, 2022 which totaled approximately \$29.8 million. From these deposits we selected the three consecutive months with the highest total dollar value of deposit activity. We then requested and reviewed the corresponding daily collection records for these three months.
- We reviewed corresponding bank deposit compositions for our selected sample of collections to determine whether they were properly recorded and deposited in a timely manner.

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 Council 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 Council to make the CAP available for public review in the City Clerk's office.



## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.ny.gov/local-government/required-reporting)

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

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**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](http://www.osc.ny.gov/local-government/academy)

## Contact

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

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