



Town of Shelter Island

Peconic Bay Community Preservation Fund

P7-23-22 | February 2024

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Report Highlights

Town of Shelter Island

Audit Objective

Determine whether Town of Shelter Island (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 the CPF collections we examined were properly supported, recorded and deposited in full and that disbursements were proper and supported. Specifically:

- Of the 37 deposits totaling \$8.5 million made to the CPF bank account during the audit period, we reviewed 10 deposits totaling \$3.5 million. All 10 deposits we reviewed were properly receipted, deposited timely and intact, and accounted for.
- Of the 103 disbursements totaling \$6 million paid during the audit period, we reviewed 10 disbursements totaling \$4.9 million. All 10 disbursements were adequately supported and approved prior to payment.

Key Recommendations

There were no recommendations as a result of this audit.

Audit Period

January 1, 2021 – December 31, 2022

Background

The Town is located in Suffolk County and includes the Village of Dering Harbor and the hamlets of Shelter Island and Shelter Island Heights.

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 executive officer.

The CPF Advisory Board is responsible for the administration of the Town's CPF program and relies on the Senior Account Clerk and Town Clerk's Office 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	376 acres
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Total Cash on Hand	\$10.7 million
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2021-2022

Collections	\$8.5 million
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Disbursements	\$6 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, 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.

Collections Were Properly Supported, Recorded and Deposited

Town officials established procedures regarding CPF collections. The Senior Account Clerk receives a real estate transfer tax check that finances the CPF sent by the County each month and reviews it to ensure the check amount is correct before providing the check to the Supervisor for his review. After his review, the Supervisor returns the check to the Senior Account Clerk with a signed acknowledgment form. The Senior Account Clerk keeps a copy of the acknowledgment form in the Town's records and sends the original to the County.

Finally, the Senior Account Clerk deposits the check at the bank and enters the deposit in the Town's financial software.

We reviewed 10 CPF bank account deposits totaling \$3.5 million of the 37 deposits totaling \$8.5 million made during the audit period to determine whether they were properly receipted, deposited timely and intact, and accurately recorded. We found that all 10 deposits were properly receipted, deposited timely and intact, and accounted for.

Disbursements Were Proper and Supported

Land Purchases – The Town's contracted CPF counsel notifies the Senior Account Clerk of the final purchase price. The Senior Account Clerk then:

- Obtains the Board resolution approving the land purchase,
- Prints the check for the land sale,
- Compiles all backup documents for the land sale, and
- Provides the Supervisor with the check and backup documents for review and signature.

Ordinary Purchases – For CPF ordinary purchases (e.g., office supplies), the CPF Clerk receives the vendor invoice and prepares a payment voucher for the Chair of the CPF Advisory Board's signature. The CPF Clerk compiles the voucher package, which includes the signed voucher and invoice, and sends it to the Town Clerk's Office. The voucher packages are then:

- Compiled by the Deputy Town Clerk into the abstract in the Town's financial software.
- Provided to the Senior Account Clerk, who prints the checks.
- Reviewed by a Board member, on a rotational basis, who signs the attached checks.
- Approved for payment by the Board, which approves the abstract via resolution.
- Paid for by the Senior Account Clerk, who mails out the checks.

We reviewed 10 disbursements totaling \$4.9 million of the 103 disbursements totaling \$6 million paid during the audit period 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. We found the purchases were for legitimate CPF purposes, adequately supported and approved prior to payment.

Conclusion

Town officials have established adequate procedures for CPF collections and disbursements and ensured that the CPF collections we examined were properly supported, recorded, and deposited in full. Town officials also ensured that the CPF disbursements we examined were proper and supported.

Appendix A: Response From Town Officials



OFFICE OF THE SUPERVISOR

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Supervisor

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December 8, 2023

HAUPPAUGE REGIONAL OFFICE
Ira McCracken, Chief of Municipal Audits
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken,

We would like to express our sincere gratitude for the conducted comprehensive audit. We have carefully reviewed the audit report and are pleased to acknowledge the positive findings and outcomes highlighted in the preliminary draft.

Should you have any additional insights or recommendations, please do not hesitate to share them. We are committed to continuous improvement and welcome any guidance that may contribute to our overall success.

Thank you for your time.

Sincerely,

Gerard F. Siller
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 over collecting and recording revenues and disbursing funds for the Town's CPF.
- We used our professional judgment to select a sample of 10 bank deposits totaling \$3.5 million and verified the deposit 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 ten disbursements totaling \$4.9 million to determine whether they were legitimate expenditures related to land acquisition, water quality improvement or management and stewardship costs.

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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