



# Town of Southampton

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## Peconic Bay Community Preservation Fund

**P7-23-21 | February 2024**

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# Report Highlights

## Town of Southampton

### Audit Objective

Determine whether Town of Southampton (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. Town officials also ensured the payments in lieu of taxes (PILOTs) we reviewed were properly approved and correctly paid. Specifically:

- Of the 82 deposits totaling \$224.4 million made to the CPF bank account during the audit period, we reviewed 10 deposits totaling \$52.9 million. All 10 deposits we reviewed were properly receipted, deposited timely and intact, and accounted for.
- Of the 558 disbursements totaling \$52.2 million paid during the audit period, we reviewed 18 disbursements totaling \$2.6 million. All 18 disbursements were adequately supported and approved prior to payment.
- Of the \$8.8 million in PILOTs we reviewed, all were properly approved prior to payment and correctly paid to eligible school and special districts.

### 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 Villages of North Haven, Quogue, Sag Harbor, Sagaponack, Southampton, West Hampton Dunes, and Westhampton Beach, as well as 18 hamlets.

The Town is governed by a five-member Town Board (Board). The Town Supervisor (Supervisor) is a Board member and serves as the chief executive officer.

The CPF Director (Director) is responsible for the administration of the Town’s CPF program and relies on the Town Comptroller’s Office for the collection and submission of CPF revenues for recording and deposit.

#### Quick Facts

##### As of December 31, 2022

Total open space, farmland, parks and historic sites preserved to date	5,050 acres
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Total Cash on Hand	\$229.9 million
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##### 2021-2022

Collections	\$224.4 million
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Disbursements	\$52.2 million
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# Community Preservation Fund

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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 Town is authorized to pay PILOTs to eligible school and special districts to compensate them for the loss of tax revenues from land purchases by the Town's CPF program. The Board, together with the Supervisor and Director, 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 written procedures regarding CPF cash collections. The Senior Accountant in the Town Comptroller's Office receives all real estate transfer tax checks that finance the CPF and records the dates the checks were received in a spreadsheet. The Deputy Comptroller then deposits all checks and

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records the deposit in the Town's financial system. Finally, the Town Comptroller posts the deposit in the Town's financial system.

We reviewed 10 CPF bank account deposits totaling \$52.9 million of the 82 deposits totaling \$224.4 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**

For CPF disbursements, including land purchases, the Associate Administrator in the CPF office creates a purchase order for the disbursement with supporting documents in the Town's purchase order system. The CPF Director, Town Comptroller, Town Attorney and Deputy Town Supervisor digitally sign the purchase order. The Associate Administrator sends the approved purchase order with all supporting documents and manual check requisition form for land purchases to the Town Comptroller's Office for inclusion into the warrant for Board approval and payment. For PILOTs, the Board approves a resolution annually, and payments are made by June 30 to eligible school and special districts via wire transfer.

We reviewed 18 CPF disbursements totaling \$2.6 million of the 558 disbursements totaling \$52.2 million paid during the audit period to determine whether the purchases were for legitimate purposes, properly approved before payment and supported by adequate documentation, such as itemized invoices or receipts, and accurately recorded in the Town's financial records. We also reviewed Town PILOTs totaling \$8.8 million made to eligible special and school districts during the audit period to determine whether the Board authorized PILOTs and Town officials paid the correct amount to eligible school and special districts.

The reviewed purchases were for legitimate CPF purposes, properly supported and approved prior to payment, accurately recorded in the Town's financial records and the PILOTs were properly authorized by the Board prior to payment and correctly paid to eligible school and special districts.

### **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 and PILOTs we examined were proper and supported.

# Appendix A: Response From Town Officials

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**JAY SCHNEIDERMAN**  
*Supervisor*

TOWN OF  
**SOUTHAMPTON**  
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December 11, 2023

**Sent Via E-Mail Only**


██████████  
On Behalf of Muni-Hauppauge  
Hauppauge Regional Office  
[Muni-Hauppauge@osc.ny.gov](mailto:Muni-Hauppauge@osc.ny.gov)

**Re: Town of Southampton Exit Draft Report  
Peconic Bay Community Preservation Fund,  
Report of Examination P7-23-21**

Dear ██████████:

Please be advised that The Town of Southampton has read the “Report of Examination P7-23-21” for the audit period of January 1, 2021 through December 31, 2022, conducted by your office, in connection with the Town of Southampton’s administration of its Peconic Bay Community Preservation Fund and accepts same.

Should you require anything further, please do not hesitate to contact the undersigned.

Very truly yours, 

Jay Schneiderman  
Supervisor Town of Southampton

JS:ng

Cc:  
John Bouvier, Councilman Town of Southampton  
Tommy-John Schiavoni, Councilman Town of Southampton  
Cyndi McNamara, Councilwoman Town of Southampton  
Rick Martel, Councilman, Town of Southampton  
Dorota Dodlewski, Comptroller, Town of Southampton  
Jacqueline Fenlon, CPF Director  
Daniel McCormick, CPF Assistant Town Attorney  
James Burke, Southampton Town Attorney

## 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, 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 monies for the Town's CPF.
- We used our professional judgment to select a sample of eight bank deposits totaling \$35.9 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 18 disbursements totaling \$2.6 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 PILOT calculation schedules, resolutions authorizing PILOTs to eligible districts and other supporting documentation to verify that the Town Board authorized PILOTs to eligible school and special districts and that Town officials paid the correct amount to the eligible school and special districts.

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

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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

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



## Contact

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