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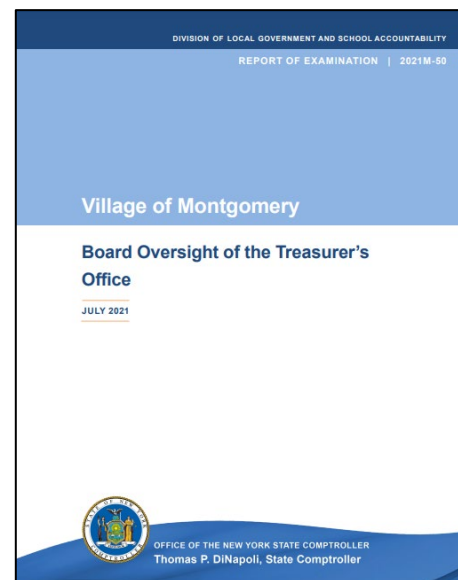
Michael R. Hembury, Mayor
Members of the Board of Trustees
Village of Montgomery
133 Clinton Street
Montgomery, NY 12549

Report Number: 2021M-50-F

Dear Mayor Hembury and Members of the Board of Trustees:

One of the Office of the State Comptroller's (OSC's) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. OSC also works to develop and promote short-term and long-term strategies to enable and encourage local officials to reduce costs, improve service delivery and to account for and protect their local government's assets. In accordance with these objectives, we conducted an audit of the Village of Montgomery (Village) to determine whether the Board of Trustees (Board) provided adequate oversight of the Treasurer's office financial operations. As a result of our audit, we issued a report, dated July 23, 2021, identifying certain conditions and opportunities for Village management's review and consideration. In response to the audit, officials filed a corrective action plan (CAP) with OSC on July 23, 2021. The CAP identified the actions officials took or planned to take to implement the audit recommendations.

To further our policy of providing assistance to local governments, we revisited the Village in July 2024 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Village personnel and inspection of certain documents related to the issues identified in our report. Although the Village's CAP indicated that officials took corrective action or planned to take corrective action, we determined that, of the six audit recommendations, Village officials partially implemented two recommendations and did not implement four recommendations. Village officials stated that the CAP was created by the prior administration and they were unaware that it existed until we began our review.



Recommendation 1 – Development of Policies and Procedures

The Board should develop policies and procedures to segregate the responsibilities of the Treasurer's and Deputy Treasurer's (Deputy's) duties or implement compensating controls.

Status of Corrective Action: Not Implemented

Observations/Findings: We interviewed a Board member and the Treasurer and determined that the Board did not develop written policies and procedures to segregate the responsibilities of the Treasurer's and Deputy's duties or implement compensating controls. In addition, there is no review of the work performed by the Treasurer, and the Board member told us the Board does not receive monthly Treasurer reports or bank reconciliations.

Recommendation 2 – Approval and Documentation of Billing Adjustments, Write-offs and Refunds

The Board should approve all or designate someone independent of the process to approve all billing adjustments, write-offs and refunds prior to them being made, and require the documentation to be maintained.

Status of Corrective Action: Partially Implemented

Observations/Findings: Although the Board passed a resolution appointing the Department of Public Works (DPW) Superintendent to approve billing adjustments on the Board's behalf, the Board and Village officials did not develop written policies or procedures to address the documentation and approval of adjustments to the water and sewer bills, as stated in the Village's CAP.

We selected 15 bills that were paid late and recalculated the penalty amount to determine whether the penalties for these bills were reduced or waived. We then requested documentation for five bills with penalties waived, 15 reversals/refunds of bills and 17 billing adjustments from the 2021-22 through 2023-24 fiscal years to determine whether they were authorized by the Board or DPW Superintendent and supporting documentation was maintained.

Based on our review, we determined that all 37 bills reviewed did not have adequate supporting documentation. The only information maintained by the Village was a notation in the financial system entered by the Treasurer for four of the 17 billing adjustments stating that the adjustments were authorized by the DPW Superintendent. The remaining 33 bills did not have any indication that they were properly authorized.

Recommendation 3 – Billing Adjustment Reports

The Board should periodically review billing adjustment reports.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed Board minutes and found no evidence that the Board is periodically reviewing billing adjustment reports. According to a Board member and the Treasurer, the Board does not receive and review billing adjustment reports. In addition, although the former Mayor wrote in the Village's CAP that written policies or procedures would be developed to address the Board's responsibility regarding the Board's water and sewer billing oversight, no policies or procedures were developed.

Recommendation 4 – Compliance with Water and Sewer Village Laws and Codes

The Board should ensure the Treasurer's office complies with water and sewer Village laws and codes.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed Board minutes and found no evidence that the Board is ensuring the Treasurer's office complies with water and sewer Village laws and codes. We also met with a Board member and the Treasurer who both stated that the Board does not receive and review water and sewer monthly reports from the Treasurer. In addition, Village officials did not develop written policies or procedures to ensure that Village laws and codes are followed, as stated in the Village's CAP. As a result, the Board is unable to ensure the Treasurer's office complies with water and sewer Village laws and codes.

Recommendation 5 – Annual Audit

The Board should perform, or contract for, an annual audit of the Treasurer's records.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed Board minutes for fiscal years 2021-22, 2022-23 and 2023-24 and interviewed a Board member and the Treasurer and determined that the Board did not complete an annual audit of the Treasurer's books and records or hire an external auditor to perform this function.

Recommendation 6 – Assessing Bills and Penalties According to Village Laws and Codes

The Treasurer should ensure bills and penalties are assessed in accordance with Village laws and codes.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed 18 bills during the 2021-22 through 2023-24 fiscal years totaling \$4,953 to determine whether they complied with Village laws and codes. We recalculated the amount billed based on the water and sewer usage and compared that to the amounts recorded as billed. We determined that the Treasurer applied the rates as designated in Village laws and codes.

However, the Treasurer did not always assess penalties in accordance with Village laws and codes. We determined that two of the 18 billing receipts reviewed did not include a charge for applicable penalties. Additionally, although one of the penalties was notated in the billing system as waived and approved by the DPW Superintendent, there was no written documentation authorizing the waiver.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues with Village officials. We encourage Village officials to fully implement the audit's recommendations.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact James L. Latainer, Chief of Municipal Audits of our Newburgh Regional Office, at (845) 567-0858.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller