

Town of Lexington

Town Clerk

DECEMBER 2017



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- Town Clerk 2**
 - How Should the Clerk Account for Fees Collected? 2
 - Cash Receipts Were Not Always Deposited on Time 2
 - Not All Fees Were Deposited 3
 - The Clerk’s Records Were Not Properly Audited 3
 - What Do We Recommend? 4

- Appendix A: Response From Town Officials. 5**

- Appendix B: Audit Methodology and Standards. 6**

- Appendix C: Resources and Services 7**

Report Highlights

Town of Lexington

Audit Objective

Determine whether the Town Clerk (Clerk) recorded, deposited, remitted and reported all money in a timely and accurate manner.

Key Findings

- Real property taxes totaling nearly \$1.9 million and fees totaling \$16,861 were not deposited in a timely manner. The Clerk collected cash for two real property tax payments totaling \$3,213 but deposited only \$3,140 for these payments, which were deposited 21 days late.
- Clerk fees totaling \$781 were recorded but not deposited. Although the Clerk reimbursed Town officials \$405, she has not yet compensated officials for the remaining \$376 collected but not deposited.

Key Recommendations

- Properly collect, record and deposit all real property taxes and Clerk fees intact and in a timely manner.
- Consult with the Town's counsel and attempt to recoup the \$376 not deposited.
- Thoroughly audit the Clerk's records annually using documented procedures and indicate the results in the Board minutes.

District officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town of Lexington (Town) is located in Greene County (County). The Town is governed by an elected Town Board (Board) composed of a Supervisor and four Board members. The Board is responsible for the general management and control of Town finances, including overseeing the Clerk's cash collection activities.

The elected Clerk serves as Clerk to the Board and collects fees for zoning permits, birth and death certificates and dog, environmental and marriage licenses. The Clerk also serves as the Town Tax Collector and collects Town and County real property taxes and is responsible for remitting taxes collected to either Fire District officials, the Supervisor or County Treasurer.

Quick Facts

Fees Collected for the Audit Period	\$45,654
--	----------

Real Property Taxes Collected for the Audit Period	\$4.9 Million
---	---------------

Audit Period

January 1, 2014 – November 10, 2016

We extended our scope period through February 16, 2017 to review Clerk records.

Town Clerk

How Should the Clerk Account for Fees Collected?

The Clerk must properly account for all transactions by accurately recording amounts collected in a cash receipts journal, depositing receipts intact and remitting money to the appropriate parties. The Clerk is required to deposit all real property taxes collected within 24 hours of receipt and all fees collected within three business days after the total received exceeds \$250.

The Board is required to annually audit the Clerk's records and reports or hire an independent public accountant for that purpose. In conducting its audit, the Board should determine whether effective procedures are in place to ensure that the Clerk properly accounts for, records and deposits money collected in a timely manner. It is important for the Board to perform a thorough audit and document the records reviewed and its results to provide assurance that it is properly reviewing the Clerk's records.

Cash Receipts Were Not Always Deposited on Time

Real Property Taxes – The Clerk collected approximately \$4.9 million in real property taxes during the audit period, which were properly remitted to Fire District officials, the Supervisor and County Treasurer. However, our review of these collections disclosed that real property tax receipts totaling \$1.9 million were not deposited within 24 hours of receiving these funds, with the longest timeframe between receipt and deposit of 21 days. We identified two separate tax collection transactions in which cash totaling \$4,194 was not deposited until after other receipts (comprised of checks, cash and money orders) were deposited.

For example, during one week in February 2016 the Clerk collected cash and checks for real property tax payments totaling \$138,711 (\$980 in cash on February 4 and checks totaling \$137,731 from February 5 through February 8). The Clerk deposited these checks on February 9, while the cash was deposited on February 10. Additionally, on January 28, 2015, the Clerk collected cash for two tax payments totaling \$3,213. However, the Clerk made 15 other deposits totaling \$648,555 (for other tax payments collected from January 28 through February 18, 2015) before she made a deposit for these two payments. Furthermore, the Clerk deposited only \$3,140 for these payments on February 18, a difference of \$73 for the deposit that was made 21 days late.

Clerk Fees – The Clerk recorded 493 receipts for fees collected totaling \$45,254 during the audit period. We compared the date these fees were received with the date they were deposited and found that 181 receipts totaling \$16,861 were deposited more than three business days after exceeding the \$250 threshold, with at least one deposit made 16 days late.

The Clerk told us that because the bank is a long distance from the Town hall, it is difficult for her to make frequent trips. She also told us that she was unaware of the legal requirements for the timeliness of deposits. Without timely deposits, there is a greater risk that loss or theft can occur without being detected.

Not All Fees Were Deposited

We compared the Clerk's accounting records and supporting documentation for all fees collected totaling \$45,654¹ during the audit period with bank deposit composition records² to determine whether these fees were all deposited. We identified \$781 in fees, which the Clerk recorded and did not deposit.

The Clerk told us that this occurred because she issued licenses that were not paid for at the time of issuance. She further told us that she did not keep track of who did not pay for permits or how much was owed. After the start of our audit, the Clerk told us that the money was either paid back by those who had not previously paid or was in the safe.

The Clerk calculated the difference between the amount of fees she recorded and the amounts deposited, and reimbursed Town officials \$405 for the fees not previously deposited. However, the Clerk has not yet compensated officials for \$376 in fees collected and not deposited.

The Clerk's Records Were Not Properly Audited

The Clerk performs every aspect of the accounting function including receiving real property taxes and Clerk fees, recording these receipts in her records, preparing and making deposits and reconciling the bank account with no oversight.

While the Board conducted an annual audit of Clerk records as required, its review was inadequate. The Board minutes indicated that two Board members audited the Clerk's 2014 records in February 2015 and 2015 records in February 2016. However, there were no written reports presented to the Board documenting the procedures used or the audit results.

The Supervisor told us that Board members were unaware of how to conduct an annual audit of Clerk records or the procedures to be followed. Had the Board thoroughly audited the Clerk's records, it may have been able to detect that \$781 in fees recorded by the Clerk were not deposited.

1 This includes \$45,254 that the Clerk recorded in the accounting records and \$400 in supporting documentation that was received but not recorded.

2 Deposit compositions provided by the bank and included an authenticated deposit slip and images of the checks made in a particular deposit. We reviewed compositions for the audit period.

What Do We Recommend?

The Clerk should:

1. Properly collect, record and deposit all real property taxes and Clerk fees intact and in a timely manner.

The Board should:

2. Consult with Town counsel and attempt to recoup the remaining \$376 in undeposited Clerk fees.
3. Review OSC's publication Fiscal Oversight Responsibilities of the Governing Board, which can be accessed on our website at www.osc.state.ny.us/localgov/pubs/lgmg/fiscal_oversight.pdf
4. Thoroughly audit the Clerk's records annually using documented procedures and indicate the results in its minutes.

Appendix A: Response From Town Officials

TOWN OF LEXINGTON OFFICE OF THE SUPERVISOR

supervisor@lexingtonny.com
518-989-6476
PO Box 28
Lexington, NY 12452

November 27, 2017

Office Of The State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Tenneh Blamah and [REDACTED]

The Town of Lexington has received draft findings of the Report of Examination 2017M-188. The report has been reviewed and we accept the report and its findings. We have taken the action suggested and recovered the funds not deposited. The Town Board will review present policy and adopt changes or modifications described in the Corrective Action Plan.

Sincerely,

John Berger
Supervisor
Town of Lexington

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. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Town officials and employees to gain an understanding of the internal control policies and procedures and current practices relating to the Clerk's management of cash receipts.
- We reviewed all daily cash receipts recorded in the Clerk's cash receipt journal for the audit period to determine whether they were properly recorded and deposited.
- We obtained deposit compositions for all bank deposits during our audit period to determine whether deposits were made intact and in a timely manner.
- We reviewed Board minutes and the Clerks' records for evidence of the Board's annual audit.
- We reviewed payments the Clerk made to the Supervisor, Fire District, County and State agencies to determine whether they were accurately remitted.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.state.ny.us

www.osc.state.ny.us/localgov

Local Government and School Accountability Help Line: (866) 321-8503

NEWBURGH REGIONAL OFFICE –Tenneh Blamah, Chief Examiner

33 Airport Center Drive, Suite 103 • New Windsor, New York 12553-4725

Tel: (845) 567-0858 • Fax: (845) 567-0080 • Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange, Putnam, Rockland, Ulster, Westchester counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)