

Town of Athens

Town Clerk/Tax Collector

JUNE 2018



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

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Report Highlights

Town of Athens

Audit Objective

Determine whether the Town Clerk/Tax Collector (Clerk) maintained adequate records and properly deposited and remitted money in a timely manner.

Key Findings

- Real property taxes totaling nearly \$2.2 million in 2016 and \$1.3 million in 2017 were not always remitted to the Supervisor and County Treasurer (Treasurer) in a timely manner. For example, the Clerk collected tax payments totaling \$774,127 during the first three weeks of January 2016 but remitted these collections to the Supervisor between four to six weeks later.
- Clerk fees and real property taxes were not always deposited within the required timeframes. Clerk fees collected during five months of our audit period totaling \$11,179 were deposited from between one to 33 days after receipt. In 2016, the Clerk deposited \$37,036 in real property taxes from between one to 24 days after receipt.
- Bank reconciliations were not always prepared or accurate.

Key Recommendations

- Ensure that all collections are deposited and remitted in a timely manner.
- Ensure that bank reconciliations are prepared each month.

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

Background

The Town of Athens is located in Greene County. The Town is governed by an elected Town Board (Board), which is comprised of a Town Supervisor (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 collects fees for birth and death certificates, marriage licenses, building permits, dog licenses and New York State Department of Environmental Conservation licenses.

The Clerk also serves as the elected Town Tax Collector and is responsible for collecting Town and County real property taxes and remitting taxes collected to either the Supervisor or Treasurer.

Quick Facts

Population	4,089
2017 Real Property Taxes Collected	\$3 million
Fees Collected for the Audit Period	\$3,614

Audit Period

January 1, 2016 – August 4, 2017

Town Clerk/Tax Collector

How Should the Clerk Record, Deposit and Remit Money Collected?

The Clerk is responsible for receiving, recording, depositing, disbursing and reporting all money collected for Town Clerk fees. Records and reports should be accurate and complete, and collections should be deposited in a timely manner. Collections should be deposited as soon as possible to reduce the risk of theft or misplacement. New York State Town Law (Town Law)¹ requires the Clerk to make deposits within three days of when collections accumulate to more than \$250. The Clerk should also issue duplicate press-numbered receipts documenting the payer, purpose, amount, date of receipt and form of payment (i.e., cash, check or money order) for each payment received. Monthly bank reconciliations enable the Clerk to verify the accuracy of financial records.

As Tax Collector, the Clerk is responsible for maintaining accurate and complete records and reports, timely depositing all collections, disbursing tax collections to appropriate parties and preparing periodic bank reconciliations. Town Law² requires the Tax Collector to deposit all real property tax money collected within 24 hours of receipt. All collections must be paid or “remitted” to the Supervisor at least once each week until the Town’s share of taxes is paid in full. The remaining collections must then be paid to the Treasurer not later than the fifteenth day of each month following the date of receipt.

Real Property Tax Collections Were Not Remitted in a Timely Manner

We reviewed the Clerk’s real property tax records for our audit period to determine whether the Clerk remitted all applicable receipts to the Supervisor and Treasurer in a timely manner. The Clerk collected Town and County taxes of \$2.8 million in 2016 (\$958,136 for the Town and \$1.8 million for the County) and \$3.0 million in 2017 (\$972,755 for the Town and \$2 million for the County). We found that the Clerk did not timely remit collections to the Supervisor or the Treasurer as required by law.

For example, the Clerk collected Town and County taxes totaling \$774,127 during the first three weeks of January 2016 (from January 4 through January 22) and remitted \$651,583 to the Supervisor the fourth week of January instead of weekly as required. The Clerk continued to collect taxes of \$681,730 from February 1 through February 5, but did not remit the remaining \$306,553 due to the Supervisor until February 10, when she also remitted \$1.14 million to the Treasurer (Figure 1).

The Clerk continued to collect and deposit Town and County taxes from February 15 until August 4, 2016 (after the Town’s share of real property taxes was

¹ New York State Town Law Section 30

² Town Law Section 35

satisfied). The Clerk did not remit these collections to the Treasurer until August 4 or the Town's share of interest and penalties to the Supervisor until November 28.

Figure 1: Real Property Taxes Remitted 2016

Collection Week	Town and County Taxes Collected	Amount Remitted to the Supervisor	Amount Remitted to the Treasurer	Cumulative Unremitted Amount at Week-end
Week 1: January 4-8	\$198,690	\$0	\$0	\$198,690
Week 2: January 11-15	\$246,847	\$0	\$0	\$445,537
Week 3: January 18-22	\$328,590	\$0	\$0	\$774,127
Week 4: January 25-29	\$475,186	\$651,583	\$0	\$597,730
Week 5: February 1-5	\$681,730	\$0	\$0	\$1,279,460
Week 6: February 8-12	\$251,345	\$306,553	\$1,140,000	\$84,252
Totals	\$2,182,388	\$958,136	\$1,140,000	\$84,252

Similarly in 2017, the Clerk collected Town and County taxes totaling \$532,002 through the second week of January that was not remitted to the Supervisor until January 18. The Clerk collected additional tax payments totaling \$272,067 during the third week of January but did not remit \$152,486 to the Supervisor until January 25 when she also remitted the remaining balance of \$321,172 to the Supervisor and \$144,000 to the Treasurer.

The Clerk continued to collect and deposit taxes from February 13 through August 4 and did not remit all these funds to the Treasurer in a timely manner, as required. For example, the Clerk remitted the taxes collected from February 22 through August 4 totaling \$392,044 to the Treasurer on August 4 and interest and penalties totaling \$11,303 to the Supervisor on September 7.

Figure 2: Real Property Taxes Remitted 2017

Collection Week	Amount Collected	Amount Remitted to the Supervisor	Amount Remitted to the Treasurer	Cumulative Unremitted Amount at Week-end
Week 1: January 2-6	\$143,283	\$0	\$0	\$143,283
Week 2: January 9-13	\$388,719	\$0	\$0	\$532,002
Week 3: January 16-20	\$272,067	\$651,583	\$0	\$152,486
Week 4: January 23-27	\$523,170	\$321,172	\$144,000	\$210,484
Totals	\$1,327,239	\$972,755	\$144,000	\$210,484

While all taxes collected were remitted to the Supervisor and Treasurer, the longer money remains unremitted, the less cash flow Town and County officials have to effectively fund operations.

Deposits Were Not Always Made in a Timely Manner

The Clerk did not always deposit collections in a timely manner for either Town Clerk fees or real property taxes. We reviewed five months of deposit activity during our audit period and found that deposits for some months were made entirely at month-end. Of the 150 cash collections totaling \$14,752 deposited during the months reviewed, fees collected totaling \$11,179 (75 percent) were deposited from between one to 33 days after receipt instead of within the required timeframe.

Because real property taxes are collected at the beginning of the year, we reviewed two months of tax collection activity at the beginning of 2016 and the beginning of 2017. For the months reviewed in 2016, the Clerk deposited \$37,036 of the \$47,688 collected into the bank account from between one to 24 days after receipt instead of within 24 hours as required. For the months reviewed in 2017, all \$26,404 collected was deposited in a timely manner.

Although the Clerk was aware that the law requires deposit of monies after a certain date, the Clerk did not always make timely deposits. The longer money remains undeposited, the greater the risk that loss or theft can occur.

Bank Reconciliations Were Not Always Prepared or Accurate

We reviewed the Clerk's records during five months of our audit period for each bank account (Town Clerk account and Tax Collector account) to determine whether she prepared monthly bank reconciliations. We found that the Clerk did not always prepare bank reconciliations, and when she did, they erroneously included inappropriate transactions.

Bank reconciliations were not prepared for four months for the Town Clerk account and three months for the Tax Collector account. While we did not identify any missing funds, our review of reconciliations prepared by the Clerk disclosed that erroneous deposits-in-transit were included that were not in-transit at month-end and erroneous deductions were included for checks and disbursements that were not outstanding at month-end.

Because the Clerk did not ensure that bank reconciliations were properly prepared, the Board cannot be certain that the Town's accounting records are accurate. Without proper bank reconciliations, the ability to detect recordkeeping errors is limited.

Duplicate Receipts Were Not Issued For All Receipts

The Clerk does not issue press-numbered duplicate receipts except when cash is received. Therefore, we reviewed five months of deposit slips and receipt records

to determine when cash was received and whether press-numbered receipts were issued for the \$1,426 in cash received over these months.

While these funds were accurately recorded in the Clerk's records and we found no discrepancies, the Clerk did not issue press-numbered receipts for \$1,245 or (87 percent) of cash received. As a result, there is an increased risk that cash receipts could be lost or misappropriated without detection.

What Do We Recommend?

The Clerk should:

1. Remit amounts collected to the Supervisor and Treasurer within required timeframes.
2. Deposit all cash receipts timely and in accordance with the law.
3. Issue duplicate press-numbered receipts for all moneys collected, including those collected at and from the Town Clerk. Ensure that bank reconciliations are prepared monthly and any differences between net bank balances and general ledger cash accounts are researched and explained.

Appendix A: Response From Town Officials

Robert F. Butler, Jr.
Supervisor
Linda M. Stacey, CMC
Town Clerk
John J. Farrell
Highway Superintendent

TOWN OF ATHENS
2 First Street
Athens, New York 12015
Phone (518) 945-1052
Fax (518) 945-2176

Michael Strenka
Bookkeeper

COUNCIL MEMBERS

Mary H. Brandow
Michael Ragaini
Anthony Paluch
Richard M. Surrano, Jr.

May 30, 2018

Tennah Blamah, Chief Examiner
Newburgh Regional Office
Office of the State Comptroller
Division of Local Government and School Accountability
33 Airport Center Drive Suite 103
New Windsor, New York 12553

Re: Town of Athens Draft Audit 2018M-41

Dear Ms. Blamah,

Please accept this response as my acknowledgement of having received the Draft Audit Report of the Town of Athens dated May 1, 2018. I have read and accept the findings that are outlined in the Draft Audit Report.

Your findings and recommendations will assist me and the Town Board in helping institute procedures that will lead toward strengthening internal controls.

The Town Board will submit a corrective action plan with policies and procedures adopted within the legal timeframe as required. We would like to thank the field auditor for all of her professionalism, help, patience and kindness.

Sincerely,

Robert F. Butler Jr.
Town 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Clerk and Town officials to gain an understanding of internal controls over collecting, recording, depositing, remitting and reconciling money collected by the Clerk and whether policies and procedures were in place for Clerk operations.
- We determined whether the Clerk deposited real property tax receipts timely for 2016 and 2017 by comparing the date recorded on the computerized system records and the batch receipts to the deposit slips and bank account records.
- We determined whether the Clerk remitted all applicable 2016 and 2017 real property tax receipts to the Supervisor and Treasurer in a timely manner by comparing the remittances from the checks disbursed to the bank statement deposit activity.
- We reviewed bank reconciliations for both the Clerk and the Tax Collector bank accounts for the audit period to determine whether reconciliations were prepared and properly documented.
- We judgmentally selected five months from the Clerk's cash receipts log and compared the information from the cash receipts log to the deposit records to the duplicate receipts to determine whether press-numbered receipts were issued for cash collected during these months.
- We obtained the cash receipts log for the Clerk's bank accounts. We traced all cash receipts to supporting documentation and to the Clerk's monthly reports to determine whether money collected was properly recorded and reported. We also compared the deposit dates to the recorded dates to determine whether receipts were deposited in a timely manner.

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

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