

# Village of Deposit

## Nonpayroll Disbursements and Real Property Tax Enforcement

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AUGUST 2018

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

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# Report Highlights

## Village of Deposit

### Audit Objective

Determine whether the Board provided adequate oversight of nonpayroll disbursements and effectively enforced collection of delinquent real property taxes.

### Key Findings

The Board:

- Did not ensure all disbursements were approved before payment and listed on an approved abstract.
- Did not ensure all disbursements were supported and for proper purposes.
- Began to effectively enforce the collection of delinquent real property taxes in March 2016, but \$172,900 remains outstanding as of February 28, 2018.

### Key Recommendations

- Review, audit and approve all disbursements before payment, unless otherwise allowed by law.<sup>1</sup>
- Ensure disbursements are adequately supported and for proper purposes.
- Annually audit the Clerk-Treasurer's records and report.

### Background

The Village of Deposit (Village) is located in the Town of Sanford in Broome County and the Town of Deposit in Delaware County.

The Village is governed by an elected five-member Board of Trustees (Board) composed of four Trustees and the Mayor. The Board is the legislative body responsible for the general management and control of financial affairs. The Clerk-Treasurer is the chief fiscal officer and is responsible for preparing and maintaining the accounting records and reports.

#### Quick Facts

Population	1,663
Taxable Parcels	726
2018-19 Appropriations	\$2.2 million
2018-19 Tax Levy	\$717,896

### Audit Period

March 1, 2016 – January 16, 2018

We expanded our audit period forward through February 28, 2018 and back to March 1, 2015 to analyze real property tax collections.

<sup>1</sup> New York State Village Law (Village Law) Section 5-524

# Nonpayroll Disbursements and Real Property Tax Enforcement

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## How Does the Board Provide Adequate Oversight of Nonpayroll Disbursements?

The board and mayor are responsible for the general management and control of village finances and operations. The board should ensure that disbursements are audited and approved before payment, unless otherwise authorized by law.<sup>2</sup> To properly approve claims for payment, the board must ensure that all claims contain sufficient documentation to determine whether the nature of the purchases and the amounts represent actual and necessary expenditures. The board also should determine whether prepaid claims are both permissible and processed properly. Lastly, the board is required to annually audit the treasurer's annual financial report and supporting records, or cause such an audit.

## The Board Needs to Improve Oversight of Nonpayroll Disbursements

The Board did not provide adequate disbursement process oversight. We reviewed 242 disbursements totaling \$966,458 and found the following deficiencies:

- The Clerk-Treasurer paid 18 disbursements totaling \$5,460 before Board audit and approval. These disbursements were for employee medical claims and Village-owned cell phones. In each case, the respective claims were presented to the Board for audit and approval at the subsequent Board meeting.
- The Board approved two disbursements totaling \$591 that were not for proper purposes. One disbursement totaling \$353 was a donation to an employee and the other totaling \$238 was to purchase turkeys for all full-time employees. Officials told us that they were aware these payments were for inappropriate purposes.
- The Clerk-Treasurer paid three disbursements totaling \$179 (for employee medical claims and petty cash) that were not included on a Board-approved abstract and two disbursements totaling \$140 (for two employees' meal reimbursements) that lacked sufficient support, such as an invoice or receipt.
- The Board did not audit the Clerk-Treasurer's annual report and records.

These issues occurred because the Board lacked a full understanding of a consistent claims audit process.<sup>3</sup> For example, it was unaware of the types of claims allowed to be paid before audit and that adequate supporting

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<sup>2</sup> Village Law, Section 5-524 allows certain claims to be paid before board audit (e.g., public utility services, postage, freight and express charges). All such claims should be presented for audit at the next regular board meeting.

<sup>3</sup> Refer to Office of the State Comptroller's Local Government Management Guide entitled *Improving the Effectiveness of Your Claims Auditing Process* available at: [www.osc.state.ny.us/localgov/pubs/lgm/g/claimsauditing.pdf](http://www.osc.state.ny.us/localgov/pubs/lgm/g/claimsauditing.pdf)

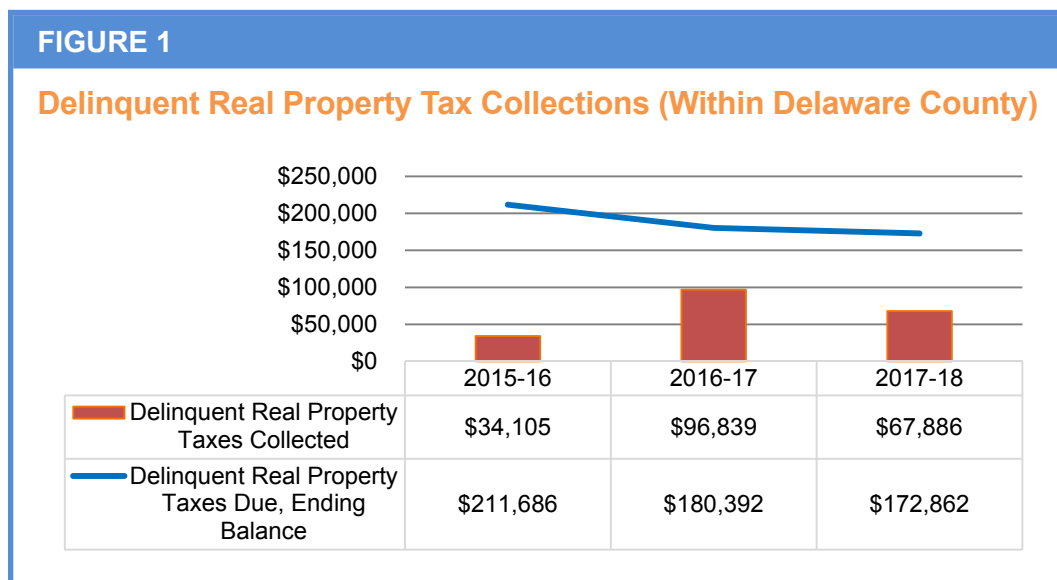
documentation should accompany the claims submitted for approval. Moreover, the Board did not audit the Clerk-Treasurer’s annual report and records because it did not remember to do so with the multiple year-end tasks that needed to be completed. Such an audit may have detected these deficiencies. As a result, there is an increased risk for inappropriate or wasteful spending to occur.

### How Does the Board Effectively Enforce Collection of Delinquent Real Property Taxes?

The board is responsible for enforcing delinquent real property taxes in accordance with statutes. This includes implementing effective procedures to actively pursue unpaid real property tax bills to ensure taxpayers are treated equitably in both counties. Such procedures include, but are not limited to, sending delinquency letters to property owners and initiating foreclosure proceedings.<sup>4</sup>

### The Board Began to Effectively Enforce Delinquent Real Property Tax Collections

Beginning on March 1, 2016, the Board directed the Village’s attorney (attorney) to enforce the collection of delinquent real property taxes. As of February 28, 2018, these services cost \$3,900 in addition to the current attorney’s retainer fee. Village officials were owed approximately \$212,000 in delinquent taxes as of March 1, 2016.



4 Village officials are responsible for enforcing real property tax collections for Village properties located in Delaware County. Broome County officials enforce collection of these taxes for Village properties located in Broome County.

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While the annual real property tax collection rates from 2015-16 through 2017-18 (for properties within Delaware County) remained steady (ranging from 86.6 to 88.1 percent), the Village has experienced an increase in its collection of delinquent taxes, resulting in a decrease in the total delinquent balances owed.

Delinquent collections nearly tripled from 2015-16 through 2016-17, the first year the attorney began enforcement procedures. In 2017-18, delinquent collections nearly doubled the amounts collected in 2015-16. While these actions have helped reduce delinquent balances by 18 percent over the last two years, the balance as of February 28, 2018 is approximately 24 percent of the 2018-19 tax levy.

Village officials have not initiated any foreclosure proceedings since March 1, 2016 when the attorney began enforcing delinquent collections. However, they have taken the necessary legal steps to begin doing so and appropriated \$10,000 in the 2018-19 budget for the related costs. We encourage officials to continue to pursue the remaining delinquent balances.

## **What Do We Recommend?**

The Board should:

1. Establish procedures to conduct a thorough and deliberate audit of claims before authorizing payment to ensure that they are accurate, properly supported, for valid Village purposes and listed on a Board-approved abstract.
2. Ensure that claims paid before audit are authorized under Village Law<sup>5</sup> to be paid in advance of audit.
3. Annually audit the Clerk-Treasurer's records and report. The audit's results should be documented in the minutes and include a description of the records reviewed and procedures performed.
4. Continue to enforce the collection of delinquent real property taxes.

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<sup>5</sup> Village Law, Section 5-524

# Appendix A: Response From Village Officials

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## VILLAGE OF DEPOSIT

146 FRONT STREET  
DEPOSIT, NEW YORK 13754-1198  
Phone (807) 467-2492  
Fax (807) 467-2465

July 24, 2018

[REDACTED]  
Binghamton Regional Office  
State Office Building, Suite 1702  
44 Hawley St.  
Binghamton, NY 13901-4417

Dear [REDACTED]

On behalf of the Village of Deposit Board of Trustees, I would like thank you staff for the time, dedication and professionalism in conducting your audit. Please accept this letter as our official Letter of Response and our Corrective Action Plan.

As our Response, we fully agree with the final determination of the audit with the following Corrective Action Plan to be implemented immediately.

\*The Clerk Treasurer paid 18 disbursements totaling \$5460 before Board audit and approval. These disbursements were for employee medical claims and Village owned cell phones. In each case, the respective claims were presented to the board for audit and approval at the subsequent Board meeting. **The Village Board acknowledges the payment of the medical claims as the health insurance in place at the time required us to pay claims when received. We have since changed our health insurance carrier and this practice has been eliminated. The cell phone bills were in changing from one carrier to another. Further we received a credit from the cell phone carrier for sales tax we overlooked as a result of this audit. The Deputy Clerk Treasurer now provides the Village Board with also authorized audited vouchers paid between board meetings.**

\*The board approved two disbursements totaling \$591 that were not for proper purposes. One disbursement totaling \$353 was a donation to an employee and the other totaling \$238 was to purchase turkeys for all full-time employees. **The Village Board was fully aware these were not acceptable practices.**

### WEST BRANCH OF THE DELAWARE RIVER WORLD CLASS TROUT STREAM

THE VILLAGE OF DEPOSIT IS AN EQUAL OPPORTUNITY EMPLOYER. Discrimination is prohibited by Federal Law. Complaints of discrimination may be filed with USDA, Director of Civil Rights, 1400 Independence Ave., SW, Washington, 20250-9410 or call (800) 759-3272 or TDD: 1-800-662-1220

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**Audit Response/CAP**

**Page 2**

**The \$353 to an employee was a one-time donation for an extreme health related issue. The \$238 was to the full time employees for turkeys as a token of appreciation from the Board. Best practice is the board will be very mindful of inappropriate expenditures moving forward.**

\*The Clerk Treasurer paid three disbursements totaling \$179 (for medical claims and petty cash) that were not included on a Board approved abstract and two disbursements totaling \$140 (for two employees meal reimbursements) that lacked sufficient support, such as an invoice or receipt. **The Village Board requires receipts for all petty cash and or meal reimbursements before payment. It is in our personnel policy that receipts are required. We will be more diligent in approving payments without sufficient back up documentation. Further, the board will stress the importance of including all disbursements on an abstract to the Clerk Treasurer's office.**

\*The Board did not audit the Clerk Treasurer's annual report of records. **The Village Board acknowledges the oversight of an annual internal audit of the Clerk Treasurer's books. In the future the board will conduct such an audit after the Annual Update Document (AUD) has been submitted and will incorporate the audit into the minutes.**

\*As reported in the audit, the Village Board continues to collect Delaware County delinquent taxes to the best of our ability. We have budgeted attorney fees to begin foreclosure this fiscal year, and at the moment are managing successfully several In Rem Tax Agreements.

Sincerely

\_\_\_\_\_  
Bryan Moore, Mayor

\_\_\_\_\_  
July 24, 2018



## 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Clerk-Treasurer and Mayor to gain an understanding of the procedures for the approval and payment of claims and the collections of delinquent real property taxes and to determine whether annual audits were conducted.
- To determine whether the following disbursements were for proper purposes, mathematically accurate, sufficiently supported and audited and approved before payment:
  - We reviewed a sample of 82 claims paid by check from September 2016 and July 2017 totaling \$95,944, out of a total 162 checks that cleared the bank during these months. We judgmentally selected these claims and months with no expectation that we would find more or fewer errors during these months than any other months during the audit period.
  - We reviewed a sample of 45 claims paid by check throughout the audit period totaling \$186,433. We judgmentally selected these claims because they posed a higher risk for inappropriate expenditures, and included payments to cash, large dollar purchases, unfamiliar vendors and purchases from vendors that appeared unrelated to operations.
  - We reviewed all 43 wire transfers made during the audit period totaling \$348,667.
- We reviewed all 49 cash withdrawals from November 2017 and December 2017 totaling \$297,930 to determine whether they were deposited into another Village bank account or audited, approved, adequately supported and for proper Village purposes.
- We reviewed all 23 bank transfers totaling \$37,484 to determine whether they were deposited into another appropriate bank account.
- We reviewed account ledgers, bank statements and other pertinent documentation to determine whether the officials effectively enforced delinquent real property taxes from March 1, 2015 through February 28, 2018.

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.

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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 relevant population size 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-Treasurer's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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

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