

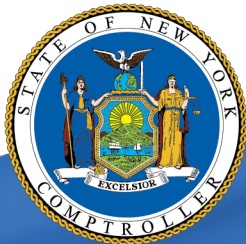
# Village of Lisle

## Board Oversight

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SEPTEMBER 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 Lisle

### Audit Objective

Determine whether the Board ensured that receipts were deposited and disbursements were for proper Village purposes.

### Key Findings

- The Board did not provide adequate oversight of the Clerk-Treasurer's duties and did not provide for an annual audit of the Clerk-Treasurer's records.
- Employees were not always paid at Board-approved rates. All nine hourly employees were underpaid by a total of \$2,800.

### Key Recommendations

- Perform or provide for an annual audit of the Clerk-Treasurer's records.
- Ensure employees are paid at Board-approved rates.

Village officials agreed with our recommendations and indicated they planned to take corrective action.

### Background

The Village of Lisle (Village) is located in the Town of Lisle in Broome County.

The Village is governed by an elected Board of Trustees (Board) composed of two Trustees and a Mayor. The Board is responsible for the general management and control of Village finances and for safeguarding Village assets.

As the chief executive officer, the Mayor is responsible for the Village's day-to-day management under the Board's direction. The Board annually appoints a Clerk-Treasurer who, as chief fiscal officer, is responsible for collecting, recording and disbursing money and preparing financial reports.

#### Quick Facts

|  |           |
|--|-----------|
| Population                                   | 320       |
| Employees                                    | 10        |
| 2017-18 General Fund Budgeted Appropriations | \$171,953 |

### Audit Period

June 1, 2016 – May 9, 2018

# Board Oversight

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## How Should a Board Ensure Receipts Are Deposited and Disbursements Are Proper?

A board is responsible for providing adequate oversight of the clerk-treasurer, which includes establishing proper internal controls so that village funds are safeguarded. For example, a board must ensure that no individual controls all aspects of financial transactions or implement compensating controls. To meet these responsibilities, a board must adopt appropriate policies and procedures, oversee financial operations including monthly reviews of key reports, and conduct or provide for an annual audit of the clerk-treasurer's records.

## The Board Did Not Provide Adequate Oversight Over Receipts and Disbursements

The Clerk-Treasurer performs most aspects of the cash receipts and disbursements processes. Her duties include collecting, recording and depositing money, processing payroll, preparing abstracts of audited claims, preparing bank reconciliations and preparing and signing all checks. She performs these duties without adequate oversight. Having these incompatible duties allowed the Clerk-Treasurer to disburse payroll payments without another official's review to ensure the payments were accurate and appropriate. The Clerk-Treasurer also was able to adjust billings without another official's review and approval, increasing the risk that inappropriate adjustments could be made without detection or correction.

Payroll – We reviewed all payments made to all four officials and nine employees totaling \$34,514 and found that, although the elected and appointed officials were paid at Board-approved rates, hourly employees<sup>1</sup> were not. More specifically, the Clerk-Treasurer underpaid all nine hourly employees by a total of \$2,800. The Clerk-Treasurer told us that the Board-approved rates are the maximum that they would be willing to pay people in those positions. However, no documentation was on file to support her assertion.

Cash Receipts – We reviewed all of the known revenues<sup>2</sup> totaling \$247,713 and found that all were deposited. However, the Clerk-Treasurer reduced a taxpayer's tax bill by \$290 because of a challenge to the taxpayer's assessment amount without support that the reduction was approved by the assessor<sup>3</sup> or authorized by the Board.

Non-Payroll Disbursements – We reviewed all disbursements totaling \$286,265 issued in our audit period and verified they generally were proper Village expenditures.

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1 The Board's adopted budget includes an hourly rate for a laborer position and an hourly rate for all lifeguards.

2 These revenues included real property taxes, sales tax, State aid, mortgage tax, franchise fees and donations.

3 The taxpayer's real property tax payment to the Village was for the reduced amount.

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These discrepancies occurred and went undetected because the Board did not properly segregate the Clerk-Treasurer's duties or properly oversee her work. Although the Board reviewed and approved claims and the Mayor periodically compared cash balances in the accounting records to the bank statements, the entire Board did not perform a comprehensive annual audit of the Clerk-Treasurer's records. In addition, no one reviewed canceled check images to ensure all disbursements made were Board-approved and for proper Village purposes. Furthermore, there was no routine review of cash receipts activity by someone independent of the collections process.

While we found no indication of fraud, when the Clerk-Treasurer's responsibilities include performing most aspects of the Village's receipt and disbursement processes with inadequate oversight, there is an increased risk of recordkeeping errors or loss of Village funds due to errors or irregularities. Therefore, the Mayor and Board have limited assurance, beyond the claims approval process, that funds are used solely for legitimate Village purposes. Furthermore, the Mayor and the Board may not be able to detect inappropriate activity in a timely manner.

### **What Do We Recommend?**

The Board and Clerk Treasurer should:

1. Ensure employees are paid at Board-approved rates.
2. Ensure any adjustments to real property tax bills are authorized and supported.

The Board should:

3. Perform or provide for a comprehensive annual audit of the Clerk-Treasurer's records.
4. Segregate the Clerk-Treasurer's duties or provide proper oversight of her work.

# Appendix A: Response From Village Officials



**The Village of Lisle**  
P.O. Box 365  
Lisle, NY 13797-0365

**RECEIVED**

SEP 17 2018

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Local Govt & School Accountability

Office of State Comptroller  
PSU CAP Submission  
110 State St., 12<sup>th</sup> Floor  
Albany NY 12236

Village of Lisle  
Board Oversight Draft  
Audit Report # 2018M-124

Gentlemen:

Please use this letter as an answer for recommendations that were included in our Audit Report.

There was a question about payment to our employees, specifically the lifeguards and our laborer. We were not clear enough in our Budget as to the amount that each one would receive. We have corrected the problem for 2018 by adding it to our minutes for May. There is a break-down of what each person will receive for the coming year. We will continue to do this each and every year in the future.

The Clerk-Treasurer was having the Board audit the bank statements every 3 months. She was not giving them enough information at the time according to the Auditor. There will now be a full audit each year, preferably the month of July. Most of the property tax bills are paid at this time and the Board can see that they are deposited. Each Board Member will now receive a copy of the cancelled checks for their review each month. The Board already gets a list of where the deposits to the Bank are coming from. They also get a copy of the bank statement to show that the deposits have been made.

The Clerk-Treasurer made an adjustment to a tax bill that had been reassessed by the Assessor. This was not brought to the attention of the Board before she did this. This has been corrected as the Clerk-Treasurer will bring any differences to the Board before depositing them.

Gerald Mackey  
Mayor of Village of Lisle

Date: September 10, 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 Village officials and reviewed supporting documentation to obtain an understanding of the Village's financial operations.
- We tested all the payments made to the four Village officials and nine employees totaling \$34,514 to determine whether employees were paid at Board-approved rates and payments were supported by timecards, if applicable.
- We traced all known revenues from third-party sources totaling \$247,713 to bank statements to determine whether those funds were deposited.
- We reviewed all disbursements issued in our audit period that cleared the bank totaling \$286,265 to determine whether they were proper Village expenditures.

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-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)



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