

Village of Millbrook

Financial Operations and Procurement

NOVEMBER 2018



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

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Report Highlights

Village of Millbrook

Audit Objective

Determine whether:

- The Board provided adequate oversight to ensure that Village resources are safeguarded.
- Village officials procured goods and services in accordance with the procurement policy and applicable statutes.

Key Findings

- Village officials did not maintain documentation for \$317,988 of restricted donations.
- The Village has two bank accounts that are not for Village purposes.
- Village officials did not seek competition for 15 professional service providers paid almost \$1.3 million.
- The Board did not obtain bids for four purchases totaling \$265,429 that required bidding.

Key Recommendations

- Maintain documentation for the restricted donations to ensure that they are used accordingly.
- Close bank accounts that are not used for Village purposes.
- Amend the purchasing policy to require Village officials to obtain professional services through a competitive process.
- Ensure purchases subject to the competitive bidding thresholds are made in accordance with General Municipal Law.

Village officials disagreed with certain aspects of our findings and recommendations. Appendix B includes our comments on issues raised in the Village's response letter.

Background

The Village of Millbrook (Village) is located in the Town of Washington, in Dutchess County.

The Village is governed by a board of trustees, comprised of a Mayor and four trustees. The Mayor is the Village's chief executive officer and is charged with overseeing all Village departments and for carrying out all policies enacted by the Board.

The Board appoints a Clerk-Treasurer. The Clerk-Treasurer is the Village's chief financial officer and is responsible for custody of all Village funds. The Deputy Clerk assists the Clerk-Treasurer and performs the Village's bookkeeping duties.

Prior to his elected term, the current Mayor served in the following capacities:

- Trustee: January 2015 to April 2016
- Treasurer: April 2016 to January 2017

The Village provides the following services: police, water, sewer, public works, fire protection and general government support.

Quick Facts

2017 Budget Appropriations	\$1.6 million
Population	1,452 residents
Area	1.9 square miles
Incorporated	1895

Audit Period

June 1, 2016 – March 28, 2018

Financial Operations

How Can Village Officials and the Board Provide Effective Oversight of Restricted Funds and Reserves?

The board is responsible for the village's fiscal management and oversight of operations. The clerk-treasurer is responsible for maintaining complete and accurate accounting records for money received and disbursed. This includes maintaining documentation that describes the intended use of restricted funds.

A municipality may receive donations or contributions for specific municipal purposes. Contributions that are restricted to specific purposes by the donor are temporarily restricted revenues. Temporarily restricted revenues are special revenues and the Office of the State Comptroller recommends these revenues be recorded in a miscellaneous fund to ensure the funds are segregated.

The clerk-treasurer should have custody of all money belonging to the village. All bank accounts should be for village purposes. Furthermore, the board should ensure that only village officials are authorized to sign checks or have banking privileges.

Reserve funds provide a source of funding for improvements to infrastructure, the replacement of equipment or other requirements. The board should establish a comprehensive reserve policy to provide guidance on the creation of reserve accounts, review of account balances, planned financing of reserves, when the reserves will be funded and used and liquidation of unused reserve accounts. Boards should create reserves for specific purposes with a permissive referendum when required by law.¹ Permissive referendums require the village publish and post a legal notice informing the taxpayers of the board's planned action. This ensures the creation of specific purpose reserves are transparent to the public.

Documentation Was Not Maintained for Restricted Donations

The Thorne Memorial Building is a three-story municipal building owned by the Village. It was constructed in 1895 by a local family who donated it as the first school building in the Village. Because of the donation, the Village was incorporated in 1895. The building operated as a school until 1962 and then was utilized for community purposes until approximately 2003. The Thorne building has not been used since then and has fallen into disrepair. The family who donated the building established a trust from which the income can be used for the building's maintenance.

¹ New York State (NYS) Village Law 9-900: The creation of reserve accounts is subject to permissive referendum.

The Village receives quarterly income from the trust, which is held in an investment account currently managed by JP Morgan, acting as a Trustee. When we requested the trust agreement from officials, they were unable to provide the document. We then contacted the Trustee who provided us with the trust agreement. We reviewed the agreement and found:

- The Trust was amended in July 1924 by the Central Union Trust Company of New York for the purpose of maintaining the Thorne Building.
- The income received by the Village is currently restricted to the purposes of insuring, maintaining and improving the building.
- The Village does not control the Trust's investments. The Village cannot request additional funds for building maintenance and improvements.
- The principal of the Extraordinary Repair Fund can only be used to repair the Thorne Building for damage resulting from an "act of God or some calamity not covered by insurance in the absolute and uncontrolled discretion of the Trustees....."

We reviewed the Trust's income and expenses for our audit period and determined the Village received \$48,973 and expended approximately \$14,438 for insurance, repairs, and utilities.² The unexpended total of \$34,535 was not returned to the Trust. Instead, the unexpended income was commingled in the general fund. The Mayor stated that the unexpended income was used to pay back the general fund for years when the funds received were less than the expenses incurred for the building. However, he was not able to provide an accounting of income and expenses for the funds or show that excess trust income was used to reimburse prior years' excess expenditures.

We reviewed the Village's 22 bank accounts and determined seven bank accounts totaling \$317,988 were for restricted purposes (Figure 1). Two of these accounts are for the Thorne Building. Officials stated one account was a grant from the Tribute Gardens for accessibility improvements for the Thorne Building. However, they have not used these funds for the specified purposes. Village officials could not provide documentation of the purpose of the second Thorne account named "Thorne Trust" due to lack of appropriate records.

² No utility invoices were available for June 2016 through January 2017. Therefore, we estimated utility charges by calculating an average of the invoices available.

Figure 1: Restricted Donations

Account Name	Bank Balance
Thorne Building Tribute Gardens	\$231,348
Thorne Trust	\$25,684
Nine Partners Trust	\$25,209
Haight Trust	\$15,630
Tribute Gardens Donation	\$10,026
Tree Replacement Program	\$7,640
Lamont Christmas Tree Trust	\$2,451
Total Restricted Donations	\$317,988

Village officials were also unable to provide documentation of the purposes of other restricted donation accounts including the Nine Partners Trust and the Tribute Gardens donation. Village officials were able to only provide documentation for the Haight Trust, stating the income from the trust was to be used to pay for Village improvements.

Village Accounts Were Not Used for Village Purposes

Of the 22 Village bank accounts, two accounts totaling \$149,510 are not for Village purposes, even though these accounts are held in the Village’s name. The Millbrook Restoration account, totaling \$149,266, receives donations from a local not-for-profit and distributes the funds to Main Street businesses for the purpose of renovating storefronts. Officials stated they did not know what the distributed funds were used for, even though the Board approved vouchers for payments from the Millbrook Restoration account. The Clerk-Treasurer writes and signs these checks without appropriate documentation for the use of the funds.

Villages are authorized to provide for the protection and enhancement of structures having special historical, cultural and aesthetic interest or value and, among other things, acquire an easement to historical or cultural property to achieve these purposes.³ Moneys received by the Village as a gift could be expended for these purposes, subject to the control of Village officials, including audit of claims requirements applicable to expenditures of Village funds.⁴ However, it is not clear that the Village has established such a program, but rather appears to be holding and expending funds on behalf of a private not-for-profit.

3 New York State General Municipal Law, article 5-K

4 NYS Village Law Section 1-102, 5-524

The second account, with a balance of \$244⁵ as of March 2018, is for Community Day donations. Although the Clerk-Treasurer is a signor on the account, she does not disburse money from the account. A private citizen, who is also a signor on the account, makes all the deposits and withdrawals from the account.

Restricted Donations Were Not Accounted for Properly

The Clerk-Treasurer does not maintain miscellaneous revenue accounts for donations to the Village. We reviewed all deposits during the audit period. We found six deposits, totaling \$82,000, that appear to be donations for restricted purposes such as tree replacement, Village improvements and rescue equipment replacement, as indicated in the deposit information. Five donations totaling \$49,000 were recorded in the general fund and one donation for media equipment totaling \$33,000 was recorded in the capital fund. The Village expended \$66,043 and \$15,957 was unexpended and remains accounted for in the general fund. The unexpended amount will be used for any general fund purpose, not necessarily the intended purpose.

We were able to locate additional documentation for two donations from Millbrook Tribute Gardens in September 2016, one donation was for tree replacement totaling \$7,000 and one donation was for a cardiopulmonary resuscitation (CPR) machine for \$15,000. Although the donation for tree replacement was deposited into a separate bank account, the expenditures were made from the general fund. The CPR machine donation was deposited to the general fund and expended from the general fund. Without proper accounting for restricted revenues officials cannot be assured these funds are used for their intended purposes. The Mayor stated he was unaware of the donations. However, the current Mayor was the Treasurer from May 2016 until January 2017, when the donations were received. Therefore, he should have been aware of these donations and accounted for them properly.

Reserves Are Not Monitored, Established or Used Properly

The Board has not adopted a reserve policy to provide guidance for establishing and monitoring reserves. The Village has five reserve funds. We found that two were specific reserves that were established for employee medical deductible payments and Village Hall restoration (Figure 2). These reserves require a permissive referendum as required by New York State (NYS) General Municipal Law (GML) 6-c⁶ when established. However, the Clerk-Treasurer was unable to

⁵ For the audit period, \$594 was withdrawn. The account's beginning balance was \$338. No documentation was available to determine the use of the funds.

⁶ Specific reserves are created for a specific improvement or equipment purchase, such as Village Hall improvements. Type reserves are created for improvements or equipment, such as highway equipment.

provide documentation to verify that permissive referendums were done because the records were not retained.

Figure 2: Reserve Accounts

Category	Name	Bank Balance
Type	Fire Truck	\$187,363
Type	Highway Equipment	\$2,156
Type	Sewer Improvement	\$0.16
Specific	Medical Deductible	\$11,022
Specific	Village Hall Restoration	\$1,500
Total		\$202,041

Without a reserve policy or proper Board review, officials cannot ensure reserve funds are properly established, funded at optimal levels and for an authorized and needed purpose. Furthermore, without proper Board oversight, reserve fund transactions may not be transparent to taxpayers.

How Can The Board Provide Effective Oversight of Financial Duties?

An effective system of internal controls provides for the segregation of duties, so that no one individual controls all phases of a transaction. When it is not practical to segregate duties because of limited staff resources, the board must establish compensating controls such as routinely or periodically reviewing employee's work and rotating staff duties. In addition, Village officials should ensure that bank accounts are reconciled accurately. The reconciliation of bank account balances to general ledger cash balances is an essential control activity that allows for the timely identification and adjustment of differences between the municipality's book balances and bank balances. Supervisory review of bank reconciliations and authorization of correcting entries as needed helps ensure accuracy and timeliness of the accounting for cash transactions. Furthermore, these reviews will help ensure that significant errors or irregularities are not occurring and being left undetected.

Officials should also establish physical controls over signature stamps. When signature stamps are unsecured they could be used to sign checks made to an unauthorized payee or for an unauthorized amount.

Financial Duties Are Not Segregated and Compensating Controls Do Not Exist

We found there was a lack of segregation of duties for one key Village employee. The Deputy Clerk performs all aspects of cash transactions with little to

no oversight. The Deputy Clerk performs the following duties:

- Receives and deposits cash.
- Makes entries to accounting records.
- Creates vouchers and prepares checks.
- Signs checks using a signature stamp and mails the checks.
- Performs bank reconciliations.

Neither the Clerk-Treasurer nor the Mayor reviews the Deputy Clerk's work. When we asked the Mayor about the Deputy Clerk's duties, he said he performs an informal review because they are a small village. Without proper segregation of duties or supervisory oversight, there is no assurance that errors will be detected.

We reviewed 21⁷ bank reconciliations for accuracy and to determine if reconciliations were reviewed or approved by either the Board or officials that did not perform the reconciliations. None of the reconciliations were reviewed or approved by the Board or an official. The Mayor stated that he does not review each bank reconciliation, he only reviews them if there are issues or problems with the reconciliations. However, without a process to review the reconciliations, it is not clear how he would know if there were issues with them. Also, without independent review, the Board cannot be assured that errors or fraudulent transactions will be detected.

Signature Stamps Are Not Secured

The Clerk-Treasurer and Mayor both have unsecured signature stamps. The Clerk-Treasurer's signature stamp is located in her unlocked desk drawer. The Mayor's stamp is located in his desk drawer as well. The Mayor stated the office is locked when he is not there. However, we observed the office was left unlocked. Additionally, the Clerk-Treasurer allows the Deputy Clerk to use the signature stamp to sign checks when she is not available to sign. The Mayor also allows the Clerk-Treasurer and Deputy Clerk to use his signature stamp when he is not there, if they email him in advance. When signature stamps are unsecured, they could be used to sign checks for unauthorized purposes. When the ability to sign checks using the stamp is present in combination with the lack of segregation of duties over cash and the lack of oversight by management, there is a serious weakness in controls. The Mayor and Board have not taken appropriate steps to safeguard Village assets.

⁷ One account was opened in March 2018 and had not been reconciled during our scope period.

What Do We Recommend?

The Board should:

1. Obtain documentation for the restricted donations to ensure that they are used for designated purposes.
2. Close bank accounts that are not used for Village purposes and consult with the Village Attorney as to the proper disposition of the funds in those accounts.
3. Create a comprehensive reserve policy and ensure all reserves are established in accordance with NYS GML and used for their intended purpose.
4. Segregate incompatible duties or ensure there are mitigating controls in place.
5. Review bank reconciliations to ensure they are accurate and any variances are identified and adjusted promptly.

Village officials should:

6. Establish miscellaneous funds for special revenues and ensure restricted donations are properly accounted for.
7. Ensure that signature stamps are secured and only used by or under control of the official whose signature is on the stamp.

Procurement

How Should a Village Procure Goods and Services?

New York State (NYS) General Municipal Law (GML) Section 103⁸ requires most purchases over \$20,000 or public works contracts over \$35,000 to be made using competitive bidding. Some procurements such as purchases using bids conducted by other governments or professional services that involve specialized skill, training, and expertise are not required to use a bidding process. However, GML Section 104b requires municipalities to adopt policies and procedures that govern the procurement of goods and services when competitive bidding is not required.

Using a competitive process such as request for proposals (RFPs) is an effective way to ensure that the municipality receives the most favorable terms and conditions when procuring professional services. In addition, written contracts between the municipality and professional service providers provide both parties with a clearly defined and mutually agreed-upon basis for compensation and help to protect the municipality in the event that contractors default on their obligations or make excessive claims.

The procurement policy should also include a competitive process, such as written or oral quotes, for purchases less than the bidding threshold. The policy can include different requirements for different dollar amounts of purchases and should require documentation of compliance with the policy to be attached to the claims package when it is presented for Board approval.

It is the Board's responsibility, as part of the claims approval process, to ensure compliance with the bidding requirements and the Village's procurement policy.

The Village's procurement policy requires quotes be obtained for supplies and equipment that are not required to be procured through competitive bidding. The policy requires two quotes (either written or verbal) for purchase contracts costing from \$500 to \$9,999 and public work contracts costing from \$500 to \$14,999. Three written quotes are required for purchase contracts costing from \$10,000 to \$19,999 and public works contracts costing from \$15,000 to \$34,999. The policy further stipulates that documentation is required to be retained for each procurement.

The Village's adopted credit card policy requires the cardholder to provide the Clerk-Treasurer with original itemized receipts for each purchase. The receipts should indicate the reason and nature of the purchase. The Village does not allow purchases for entertaining or personal reasons. If cardholders cannot produce a receipt, they are responsible for reimbursing the Village for the charges.

⁸ New York State (NYS) General Municipal Law (GML) Section 103 requires the Board to advertise for bids on public works contracts and purchase contracts involving expenditures of more than \$35,000 and \$20,000, respectively, but exempts certain procurements such as professional services.

Competition Was Not Solicited for Professional Services

The Village’s procurement policy excludes professional services and does not require competitive methods to be used when procuring these services. As a result, officials did not solicit competition for professional services. We identified 15 professional service providers that the Village used during our audit period that were paid \$1,285,326 for services provided in eight categories. Officials did not seek competition, such as an RFP, for any of the providers. Furthermore, 13 of these providers, who were paid \$355,520 for services provided in six categories, did not have written contracts with the Village.

Figure 3: Professional Service Provider – RFPs and Contracts

Category	Number of Providers	No RFP	No Contract
Water Plant Management	1	\$525,888	n/a ^a
EMS Service	1	\$403,918	n/a ^a
Engineer	6	\$146,479	\$146,479
Insurance	1	\$135,827	\$135,827
Legal	2	\$29,271	\$29,271
Accounting	2	\$20,739	\$20,739
Physicals	1	\$14,565	\$14,565
Information Technology Services	1	\$8,639	\$8,639
Total	15	\$1,285,326	\$355,520

^a The Village had written contracts with their Water Plant Management and EMS Service providers.

When officials do not seek competition when procuring professional services, they cannot assure taxpayers that they are procuring services from qualified service providers in the most economically beneficial manner and that these procurements were not influenced by favoritism. In addition, without written contracts, neither the Board nor the provider have a clear understanding of the basis for or entitlement to payment for the work performed. The Mayor stated that the Village’s attorney sought competition for professional services. However, he was not able to provide documentation to verify the assertion.

Bids Were Not Obtained in Accordance With General Municipal Law

Officials did not adhere to NYS GML⁹ regarding soliciting bids for purchases over \$20,000 or public work contracts over \$35,000. The Village made seven procurements requiring bidding totaling \$395,123 during our audit period. We reviewed all seven procurements and found that four procurements totaling

⁹ NYS GML 103 requires soliciting competition through a sealed bid process.

\$265,429 (67 percent) were not bid and one procurement was purchased from a NYS contract. Additionally, the Deputy Clerk stated that neither she nor the Clerk-Treasurer retained documentation for competitively bid purchases. Examples of goods or services procured without seeking competition were:

- Street Paving: \$186,342
- Accessibility Project: \$47,118

During our initial meeting, the Mayor stated the Board obtained bids. However, officials were unable to provide us with any documentation of obtaining bids for any of the six procurements in excess of the bid limits that should have been bid.

Awarding contracts without the benefit of a public bid process for products and services that exceed bidding thresholds violates NYS GML. Furthermore, the Board cannot provide taxpayers with assurance that services are procured in the most prudent and economical manner, for the lowest price and that procurement decisions are not influenced by favoritism.

Quotes Were Not Obtained in Accordance With Village Policy

Officials did not obtain quotes for purchases and public works contracts, in accordance with their purchasing policy. During our audit period, Village employees from all seven departments made 380 purchases totaling \$930,614 that required quotes. We tested procurements from each department. We judgmentally selected 39¹⁰ purchases totaling \$252,445 and found that all items tested were obtained without soliciting the required number of quotes (Figure 4). In addition, officials stated one item was purchased from a NYS contract, but there was no documentation available to verify this assertion.

Figure 4: Quote Finding

Department	Total
Fire	\$78,896
Public Works	\$59,351
Water	\$49,341
Sewer	\$29,206
Restoration	\$20,100
Capital Project	\$8,069
Police	\$3,782
General	\$3,700
Total	\$252,445

10 See Appendix C for our sampling methodology

The Mayor stated quotes were not obtained because the Village had a lot of problems when he first took office. Therefore, he focused on other more pressing problems instead of ensuring quotes were sought or retained. By not obtaining quotes, officials cannot assure taxpayers that they are obtaining goods for the best price at the lowest responsible price.

Credit Cards Purchases Were Not in Accordance With Village Policy

Officials did not establish effective procedures to ensure credit card purchases were properly supported and for appropriate Village purposes. The Village opened a credit card account in May 2017 for the Mayor's use. We tested all seven credit card vouchers totaling \$5,223 and found the credit card was used for 16 separate purchases. We reviewed these purchases to determine whether the Board approved all credit card payments and that purchases were for valid Village purposes. Two purchases totaling \$967 did not have receipts. Officials explained that the two purchases - \$208 at a camera store and \$759 to a retail store - were for equipment to record Board meetings. In addition, the Mayor used the credit card for two meals at local restaurants, totaling \$93,¹¹ that he was not entitled to charge. The Board approved all the credit card claims for payment even though there was a lack of adequate supporting documentation as required by Village policy. Because the Board approved payment for credit card claims without adequate supporting documentation, there was no assurance at that time that purchases were for valid Village purposes.

The Board Did Not Ensure Compliance With Bidding Requirements or the Village's Procurement Policy

All the purchases discussed in this finding were presented to the Board for audit and approval. Although none of the purchases that required bidding were purchased with a bid process, none of the other purchases included documentation of price quotes and the credit card purchases did not include all documentation and included personal expenses, the Board approved these claims for payment.

What Do We Recommend?

The Board should:

8. Amend the purchasing policy to require officials to obtain professional services through a competitive process, or provide justification when seeking competition will not be in the best interest of the taxpayers.

¹¹ Both charges appeared to be for personal meals at local restaurants and not for business trips. Subsequent to the exit conference, Village officials provided evidence the Mayor reimbursed the Village for the two personal meals.

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9. Enter into written agreements with all professional services providers.
 10. Ensure procurements over competitive bidding thresholds are obtained in accordance with GML Section 103.
 11. Ensure that receipts are retained for all credit card purchases, and that purchases are allowable per Village policy.
 12. Seek repayment from the Mayor, as required by Village policy, for \$93 of personal credit card purchases.
 13. Verify compliance with bidding and procurement policy requirements as part of the claims audit process.

Village officials should:

14. Ensure all necessary quotes are obtained per Board policy and retain all necessary documentation.

The Mayor should:

15. Repay the Village \$93 for the personal purchases made with the Village credit card.

Appendix A: Response From Village Officials



VILLAGE OF MILLBROOK

35 MERRITT AVENUE PO BOX 349 MILLBROOK NY 12545 TEL: 845-677-3939 FAX: 845-677-3972

RODNEY BROWN
MAYOR

SARAH WITT
CLERK/TREASURER

NICOLE ZEKO
DEPUTY CLERK

November 6, 2018

Tennah Blamah
Chief Examiner OSC
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Ms. Blamah:

The Village of Millbrook Board of Trustees has reviewed the draft Report of Examination. The Village is pleased to read that during the detailed and extensive process, your report showed no serious misconduct. The process was informative, and the Village has already started to implement some of the recommendations that were given during the audit process before the report was produced. One example being, the signature stamps of the mayor and the clerk are now in a locked safe and the mayor's stamp is only used after an email approval from the mayor.

It should be noted that the report mentions the mayor as "interim mayor", the mayor was elected and was never an interim mayor.

Please note, the Village of Millbrook has experienced a significant amount of turnover in its elected and appointed positions in recent years. As a result, there are gaps in records. The current elected and appointed officials are making their best effort to fill in the gaps and improve upon record retention so that documents can be produced when requested.

With regards to segregation of duties, it should be noted that the Village of Millbrook is a small municipality, consisting of only two fulltime Village Hall employees. The Village does not have the same opportunity as some of the larger municipalities when it comes to segregation of responsibilities and oversight of daily activities. However, the Village intends to implement greater controls to minimize oversight and any chance of breach. The Village acknowledges that additional training for the Clerk-Treasurer and Deputy Clerk is appropriate.

As to the comments on procurement, the Village responds as follows. Competition was solicited for certain professional services. For example, there were interviews for the position of Attorney to the Village in 2017. The Village was not aware that notes of those interviews should be retained for purposes of an audit and the Village will make note of this for all professional services. This is another area in which training as to record retention is appropriate.

The Village will work with professional services providers to obtain contracts. The Village has already worked toward responding to the concerns in this comment. For example, the Village recently entered into a new contract with the Engineer to the Planning Board. In addition, the Village Attorney has a standing letter of engagement with the Village.

As to bidding of street paving, generator installation and the accessibility project, the matters were bid. However, the records are with the Village's consultants after review and discussion by the Village Board in an open meeting. Copies will be obtained for the Village's files.

See
Note 1
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See
Note 2
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As to quotes under the procurement policy, the Village will review with all officers and officials that notes should be kept of vendors/providers called and quotes obtained for purposes of the Village's records. These matters are frequently discussed during open meetings of the Village's Board of Trustees.

The Village appreciates the opportunity to work with your office and will utilize the trainings the Office of the State Comptroller provides. The Village also plans to review and update the outdated policies and procedures at our annual Re-Organizational meeting this January. Our main goal is to provide the Village residents with the best possible services at the lowest possible costs while maintaining their quality of life.

Sincerely,

Rod Brown
Mayor

Appendix B: OSC Comments on the Village's Response

Note 1

We corrected the error Village officials identified in our draft report.

Note 2

Subsequent to the exit conference, Village officials provided documentation showing that competitive bids were obtained for the generator project, totaling \$104,025. This information was not made available to us during our fieldwork or preliminary findings discussion with officials upon completion of fieldwork. We have amended the appropriate sections of our report to reflect this information. The documentation for the street paving did not contain evidence that sealed bids were obtained, nor did it contain evidence the Board accepted the bids. The documentation for the accessibility project included a bid summary, but lacked evidence of individual bids or Board acceptance.

Appendix C – 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 objectives and obtain valid audit evidence, our audit procedures included the following:

- We reviewed Board meeting minutes and Village policies and interviewed officials to gain an understanding of the policies and procedures for financial oversight and procurement.
- We reviewed all Village bank statements from June 2016 through March 2018 and identified the accounts for restricted donations. We then reviewed transactions for restricted donation accounts to determine if they were for allowable purposes.
- We reviewed all 21 bank reconciliations for February 2018 and compared them to the bank statements to determine if the reconciliations were accurate and reviewed and approved by an official or Board member.
- We reviewed cash disbursements during our audit period to determine the professional service population. We then reviewed Board meeting minutes, vouchers and invoices to determine the selection method for professional service providers. We also requested the contracts for providers in order to review them.
- We reviewed the cash disbursements journal for our audit period to determine the population of purchases over \$20,000 and public works over \$35,000 and the population of purchases over \$500. We determined there were two purchases totaling \$57,638 and five public works procurements totaling \$337,485 above the bidding threshold. We tested all purchases subject to bidding.
- We found 380 purchases over \$500 that would require quotes totaling \$930,615. We judgmentally selected 39 purchases from each of the Village’s seven departments. Our review allowed us to obtain a reasonable assurance that the population was accurate.
- We then reviewed the payments made to each vendor to determine which vendors were paid \$500 or more in one fiscal year. However, if no single purchase was more than \$500, we reviewed the payments to determine if the Village was purposely segregating purchases to avoid obtaining quotes.
- We selected all credit card payments in the cash disbursement journal totaling \$5,223 and reviewed all vouchers and attached receipts to determine if receipts were retained for all charges and if all charges were for Village purposes.

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 D: 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

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