

Town of Amity

Town Clerk

JANUARY 2019



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

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Report Highlights

Town of Amity

Audit Objective

Determine whether the Town Clerk (Clerk) properly accounted for cash receipts.

Key Findings

- We reviewed 184 tax payments totaling \$237,500 and found they were recorded properly and deposited intact but were not always remitted to the appropriate parties in a timely manner.
- Cash receipts totaling \$238,321 were deposited between one and 15 days past the required date of deposit.
- The Board did not perform an annual audit of the Clerk's records, as required.

Key Recommendations

- Record, deposit and remit all real property taxes and fees intact and in a timely manner.
- Perform an adequate annual audit of, or retain an independent public accountant to audit, the Clerk's records.

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

Background

The Town of Amity (Town) is located in Allegany County (County). The Town Board (Board) is composed of an elected Town Supervisor (Supervisor) and four elected Council members and is responsible for overall Town operations and finances, including oversight of the elected Clerk.

The Clerk collects fees for building permits, birth and death certificates, and dog, hunting and marriage licenses. Generally, all fees collected are the property of the Town, County or State and must be remitted promptly to the appropriate entities.

The Clerk is also the Tax Collector and is responsible for collecting and remitting Town and County real property taxes to the Supervisor and County Treasurer.

An appointed Deputy Clerk (Deputy) assists the Clerk with performing her duties.

Quick Facts

Population	2,300
Fees Collected for the Audit Period	\$19,000
Real Property Taxes Collected for the Audit Period	\$2.8 million

Audit Period

January 1, 2017 – August 1, 2018

Town Clerk

How Should the Clerk Account for Cash Receipts?

The clerk must properly account for all transactions by promptly and accurately recording amounts collected in a cash receipts journal, depositing receipts intact (in the same amount and form – cash or check – as received) and remitting money to the appropriate parties. Monthly bank reconciliations enable the clerk to verify the accuracy of financial records and ensure that assets are sufficient to meet liabilities.

New York State Town Law¹ (Town Law) requires the clerk to deposit all real property taxes collected within 24 hours of receipt and remit amounts collected, including interest and penalties, to the supervisor at least once a week. Once the Town's tax levy has been satisfied, tax collections must be remitted to the county treasurer no later than the 15th day of each month. Town Law² requires the clerk to deposit all fees collected within three business days after the total received exceeds \$250 and to remit such money to the supervisor by the 15th day of the following month.

Town Law³ requires the board 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.

Tax Payments Were Not Remitted in a Timely Manner

We reviewed 184 tax payments received and deposited during February 2018 totaling \$237,500.⁴ We found that tax collections were recorded properly and deposited intact but were not always remitted to the appropriate parties in a timely manner.

During the 2017 and 2018 tax collection cycles, the Clerk did not make weekly payments to the Supervisor or monthly payments to the County Treasurer as required. For example, in 2017 the Clerk did not make payments to the Supervisor in the first, third or fourth weeks of January even though there were tax collections during these weeks. In 2018, the Clerk made weekly payments

1 New York State Town Law (Town Law) Section 35

2 Town Law Section 30

3 Town Law Section 123

4 Refer to Appendix B for information on sampling methodology.

to the Supervisor, but these payments did not include interest and penalties collected as required. Instead, the Clerk remitted interest and penalties to the Supervisor with one single payment at the end of the collection cycle. In a similar fashion, the Clerk did not make monthly payments to the County Treasurer as required. Instead, the Clerk remitted collections due to the County with two checks: the first dated in March and the second dated in April.

The Clerk told us that she did not know she had to remit tax collections to the Supervisor weekly and felt it was easier to pay the County at the end of the month.

Not All Clerk Fees Were Deposited in a Timely Manner or Properly Recorded

We reviewed all fees collected during the audit period totaling approximately \$19,000 and found that collections were not always deposited in a timely manner. On three occasions the Clerk did not deposit collections totaling \$821 within three business days of collections exceeding \$250 as required. The first was deposited one day late, the second was deposited seven days late and the third was deposited 15 days past the required date of deposit. The Clerk told us that she was unaware of the legal requirements pertaining to the timeliness of deposits. While the statutory deadline is the latest point in time at which a deposit may be made, from an internal control perspective, the best approach is to deposit money as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur.

We noted that one of these deposits included the payment for a hunting license that was issued to the Deputy's relative. The license was issued on August 14, 2017, but the corresponding check was not dated until August 28, 2017, and was deposited the following day. The Deputy told us that the license was not paid for on the date of issuance because it was a normal practice to issue hunting licenses without payment to trusted customers if payment was received before the end of the month. However, the Clerk told us she was unaware of this practice and did not authorize the Deputy to issue licenses without payment.

We also found that three collections totaling approximately \$164 were not recorded correctly in the cash receipts journal. Although the collections were properly receipted and deposited, the Deputy recorded each of these collections at lesser amounts. We discussed these recording issues with the Clerk.

The Board Did Not Audit the Clerk's Records

The Board did not audit or obtain an audit of the Clerk's records and reports as required. The Supervisor told us that, while he was aware of the audit requirements for the Town Justice, he and the Board were not aware that the Board was required to audit the Clerk's records annually.

Because the Board did not perform annual audits, its ability to effectively monitor financial operations was diminished. Had the Board performed the required annual audits, it may have recognized the deficiencies in the Clerk's records and procedures and brought them to the Clerk's attention to encourage corrective action.

What Do We Recommend?

The Clerk should:

1. Remit all collections to the appropriate parties in a timely manner.
2. Deposit all collections in a timely manner.
3. Ensure licenses are only issued after payment has been received.
4. Properly account for all transactions by accurately recording amounts collected.

The Board should:

5. Perform an adequate annual audit of, or retain an independent public accountant to audit, the Clerk's records.

Appendix A: Response From Town Officials



Town of Amity
Office of the Supervisor
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Clerks Office Hours: Monday and Tuesday 9:45AM-2PM,
Wednesday Closed
Thursday Noon-4:00PM
Friday by chance

12/31/18

Jeffrey D. Mazula, Chief Examiner

295 Main Street

Suite 1032

Buffalo, New York 14203-2510

Dear Sir:

As I have told everyone involved in the recent audit of the Amity Town Clerks office, I regard audits as good things. It identifies what we do right and identifies areas where we need improvement. After reviewing the findings of our recent audit I see no reason to dispute any of the findings. The Clerk and her staff have been made aware of the requirements and it is the Town Board's expectation that they will follow the requirements in the future. The Town Board will conduct an audit of the Clerk's Office at the beginning of each fiscal year beginning in January of 2019. We will also be conducting periodic reviews of the Clerk's Office throughout the year.

I look forward to working with the Comptrollers' Office to ensure that we are in compliance with the regulations identified in the report. I would like to thank the examiners who conducted the audit for their help and professionalism.

Respectfully yours,

Dana Ross

Supervisor, Town of Amity

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 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 real property tax deposits made during February 2018 to determine whether collections were properly recorded, interest and penalties were properly calculated and deposits were made timely and intact. We judgmentally selected February because it was the first month in the tax collection cycle that penalties were assessed, collected and deposited. We obtained corresponding bank deposit compositions for all deposits made in this month and compared them against the collections recorded in the Clerk's records.
- We reviewed all daily cash receipts recorded in the cash receipts journal for Clerk fees collected during the audit period to determine whether they were properly recorded and deposited.
- We obtained deposit compositions for all bank deposits for the Clerk's fees account during our audit period to determine whether deposits were made intact and in a timely manner, and were recorded properly.
- We interviewed Town officials and reviewed the Board minutes to determine whether the Board had audited, or obtained an audit of, the Clerk's records and reports for 2017.
- We reviewed payments the Clerk made to the Supervisor, County and State agencies to determine whether fees and tax collections were remitted to the appropriate parties in a timely manner.
- We conducted a cash count and prepared an accountability as of June 4, 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.

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 Town 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

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

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

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