

# Town of North Collins

## Recreation Department Cash Receipts

JULY 2020



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

# Contents

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- Report Highlights . . . . . 1**
  
- Recreation Department Cash Receipts . . . . . 2**
  - How Should Officials Safeguard Recreation Cash Receipts? . . . . . 2
  
  - Officials Had Inadequate Procedures and Oversight and Cash Receipts Were Not Properly Recorded or Deposited Timely . . . . . 2
  
  - What Do We Recommend? . . . . . 5
  
- Appendix A – Response From Town Officials . . . . . 6**
  
- Appendix B – Audit Methodology and Standards . . . . . 7**
  
- Appendix C – Resources and Services . . . . . 9**

# Report Highlights

## Town of North Collins

### Audit Objective

Determine whether Recreation Department (Department) cash receipts were recorded and deposited in a timely and accurate manner.

### Key Findings

The Department's cash receipts were not always collected, recorded or deposited timely.

- The Board did not adopt written cash receipts policies. Officials did not properly segregate cash receipts duties or oversee the cash receipts function.
- Eight summer recreation registrants did not pay program fees that ranged from \$80 to \$130 per person totaling \$640 to \$1,040.
- The Co-Director's child attended the after-school, soccer and summer recreation programs for free, without full Board consent.
- Sufficient program documentation was not maintained which precludes the Department and us from confirming all funds collected were recorded and deposited in a timely and accurate manner.

### Key Recommendations

- Adopt comprehensive written cash receipts policies.
- Ensure payments are accurately recorded and deposited timely.
- Ensure all cash receipts records and supporting documentation are retained.

Town officials agreed with our findings and indicated they plan to initiate corrective action.

### Background

The Town (Town) of North Collins is located in Erie County. The Town is governed by an elected Town Board (Board) composed of five members including the Town Supervisor (Supervisor). The Board is responsible for managing Town operations.

The Supervisor is the Town's chief financial officer responsible for maintaining custody of all funds. The Department is managed by two Recreation Co-Directors (Co-Director). One Co-Director is responsible for recording cash receipts and works with the Town Clerk (Clerk) to deposit funds. The other Co-Director is responsible for recording attendance.

#### Quick Facts

2019 General Fund Appropriations	\$865,000
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2019 Department Revenue	\$35,000
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Population	3,500
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### Audit Period

June 1, 2017 – February 11, 2020

# Recreation Department Cash Receipts

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The Department oversees several recreation programs including after-school, summer recreation, soccer and other activities. Individuals are charged a fee for program participation.

## How Should Officials Safeguard Recreation Cash Receipts?

Adequate accounting records and effective procedures need to be in place to properly account for cash receipts. The board should establish adequate controls over cash receipts that include adopting written policies that address segregating duties so that no employee is responsible for all phases of a transaction (e.g., recordkeeping, and collecting and depositing cash receipts). When staffing levels prevent this, the board should ensure that compensating controls, such as supervisory oversight and review, are in place.

Press-numbered receipts should be used in numerical order and all money should be adequately secured and deposited into a town bank account in a timely manner. For example, the town supervisor is required to deposit within 10 days of receipt.<sup>1</sup> If material amounts are received, deposits should be made more often. The town clerk is required to deposit all fees collected within three business days after the total received exceeds \$250 and remit such money to the town supervisor by the 15th day of the following month.<sup>2</sup>

All payments should be entered in the accounting records in the order they are received and supporting documentation should be retained. The Board is responsible for adopting program rates for participation and to address any instances when fees will be waived. The board is also required to conduct an annual audit of any town officers or employees responsible for collecting cash receipts.<sup>3</sup> Conducting the annual audit of the Department provides oversight and helps ensure funds are properly accounted for.

## Officials Had Inadequate Procedures and Oversight and Cash Receipts Were Not Properly Recorded or Deposited Timely

The Board did not adopt written cash receipts policies and officials did not properly segregate cash receipts duties or adequately oversee the Department's cash receipts function. Generally, cash and check payments are collected by the Co-Directors and several counselors.<sup>4</sup> However, in 2019, the Department also

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1 New York State Town Law Section 29

2 New York State Town Law Sections 27 and 30

3 New York State Town Law Section 123

4 Individuals could pay by credit card at the Clerk's office.

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began collecting certain payments using an online electronic payment system that deposited fees directly into the Clerk's account. While press-numbered duplicate receipt books were used during the audit period to record cash payments,<sup>5</sup> these press-numbered receipts were not used in numerical order. Department officials also used multiple receipt books simultaneously. Not using receipts consecutively makes it difficult to ensure there are no disparities in the receipt sequence and identify missing receipts.

Cash and checks were securely maintained until the Co-Director responsible for recording cash receipts collected the funds. The Co-Director told us that she took the cash and checks to her residence and once a week she entered the payments in a database software program. Once payments were entered, she used the database software to generate two duplicate "program payment sheet" reports. The report lists all payments included in the deposit. One report is retained in the Department and the other report is provided to the Clerk along with the cash and checks. Generally at the beginning of each week she remits the funds to the Clerk who told us she deposits the funds within one to two days.

While the Co-Director gave a program payment sheet to the Clerk with the deposits, the customer receipts were not attached to the report. The Clerk told us she only verified that the program payment sheet report matched the amount received. It does not appear that any Town officials periodically reviewed the cash receipts reported by the Co-Director to determine whether they matched the amounts collected according to the press-numbered receipts. As a result, the Co-Director had almost complete control over cash receipts without adequate review or oversight.

We reviewed all 1,056 payments on the program payment sheets from January 1, 2018 through September 30, 2019. We found that 311 payments (30 percent) totaling almost \$27,000 were not deposited in a timely manner; deposits were made 11 to 68 days after receipt. This occurred because the Co-Director did not provide the funds to the Clerk in a timely manner.

We also traced the Co-Director's press-numbered receipts attached to a program payment sheet to the deposits and found seven cash receipts from June 2018, totaling \$440 that were not deposited in the bank. However, it appeared these payments were entered into the database in October 2019 after we requested the payment records. We attempted to review receipts from June 2017 through December 2017, but the receipt books were not retained. The Co-Director told us that these receipt books were from a prior Co-Director's tenure and the records were not retained.

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We found that 311 payments (30 percent) totaling almost \$27,000 were not deposited in a timely manner; deposits were made 11 to 68 days after receipt.

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<sup>5</sup> Receipts were issued for check payments if requested by the customer.

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We also found that 253 payments were not entered into the database in the order they were received. The Co-Director submitted cash or checks received from a more recent cash receipt to the Clerk to deposit and did not deposit cash or checks collected from an earlier date. The Co-Director told us some cash receipts may be entered out of order based on the program; some programs, such as soccer and summer recreation, have more information to enter so she may enter those payments later. However, based on our review of payments it appeared this was an issue with cash receipts for all programs.

Depositing funds as they are collected can help ensure cash is properly accounted for and not misappropriated.

We also could not confirm all 2018 and 2019 after-school, soccer and summer recreation program fees were properly collected, recorded and deposited because the Co-Directors and other Department officials did not retain all attendance sheets and registration forms. The Co-Director told us she does not keep the summer program registration forms because they include medical information. The Co-Director also told us the 2018 soccer and after-school program information was from a prior Co-Director's tenure and the records were not retained.

In addition, the Department had a list of program rates that was prepared by the Co-Director; however, it did not address instances where individuals would attend and not have to pay a fee and was never approved by the Board.<sup>6</sup> We also did not find any evidence that the Board conducted an annual audit of the Department's records.

Since the Department retained the 2019 soccer registration forms and a list of 2018 and 2019 summer recreation registrations, we compared the available information to the payment database. We found the following unpaid fees:

- 19 individuals out of 107 soccer program registrants did not pay. The unpaid fees totaled \$845.
- Eight summer recreation registrants did not pay. Summer recreation program fees ranged from \$80 to \$130 per individual or \$640 to \$1,040. The registration fee was based on program selections.
- The Co-Director's child attended the after-school, soccer<sup>7</sup> and summer recreation programs for free, without full Board consent.
  - The Co-Director's child attended the after-school program for 139 days in 2019 and the last four months of 2018, which should have cost approximately \$830.<sup>8</sup>

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6 The 2019 soccer registration forms indicated that a coach's children did not pay. However, this was not approved by the Board.

7 The Co-Director coached soccer in 2018 and 2019; therefore, she did not pay a registration fee for her child. This individual is not included in the 19 individuals previously discussed.

8 We could not determine prior attendance because records were not retained prior to September 2018.

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The Co-Director was unable to explain why individuals that signed up for the summer recreation program did not have payments associated with their account. However, the Co-Director told us to encourage parents or guardians to coach, the Department waives a child's soccer registration fee when their parent/guardian coaches. While the 19 unpaid soccer registration fees were for a coach's child, we found five coaches paid the registration fee. The Co-Director said these coaches wanted to pay their child's registration fee. The Co-Director and a Board member (who served as a Department liaison) told us that it was past practice to allow a Co-Director's child to attend programs for free. However, two other Board members and the Supervisor indicated that they were not aware of this practice.

The lack of oversight and sufficient program documentation, and not remitting and depositing funds in a timely manner precludes Town officials and us from confirming all funds collected were recorded and deposited in a timely and accurate manner and could allow for errors and irregularities to remain undetected and uncorrected. Not reconciling receipts on a timely basis also allows for a greater opportunity for inaccurate records and misappropriation of funds.

## **What Do We Recommend?**

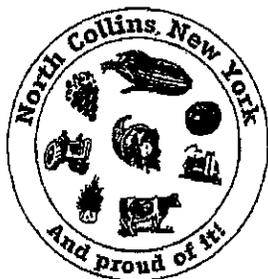
The Board should:

1. Adopt written policies for the collection and accounting of cash receipts that address segregating duties, proper use of receipt books, and provide guidance for depositing, recording and reconciling cash receipts.
2. Adopt program rates including for the soccer and summer recreation programs and address instances when fees will be waived.
3. Conduct an annual audit of the Department's records.

Town officials should:

4. Ensure press-numbered receipts are used in numerical order.
5. Ensure deposits are made in a timely manner.
6. Ensure payments are entered into the database in the order they are received.
7. Ensure all cash receipts records and supporting documentation such as registration forms and attendance sheets are retained.
8. Ensure all Department cash receipts are properly receipted, secured until deposit and recorded.
9. Review Department cash receipts to ensure they are properly deposited and recorded.

# Appendix A: Response From Town Officials



## TOWN OF NORTH COLLINS

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July 10, 2020

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**TOWN CLERK**  
10569 Main Street  
PO Box 2  
North Collins, NY 14111

To Whom It May Concern,

**David J. Winter**  
**HIGHWAY SUPT.**  
2982 Shirley Road  
North Collins, NY 14111

The Town of North Collins Town Board is in receipt of the "DRAFT" Audit conducted by your Buffalo Field Office. The Board understands the Audit and agrees with the findings. It is our intention to draft a corrective action plan and implement it as soon as possible.

**Ellen M. Mathis**  
**COUNCILMAN**

Thank you for your time and recommendations to improve the Town of North Collins.

**Michael W. Perry**  
**COUNCILMAN**

**William R. Moritz**  
**COUNCILMAN**

Respectfully,

**Peter D. Robbins**  
**COUNCILMAN**

~~John Tobia~~  
Supervisor, Town of North Collins

## 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 Town officials and employees to gain an understanding of the policies and procedures for Department cash receipts. We reviewed the Town's website and Board minutes to identify written policies or procedures.
- We reviewed receipt books to determine whether receipts were written in numerical order and if any receipts were missing or left blank and not voided.
- We compared cash receipts entered into the database and listed on program payment sheets to the date of receipt by the Clerk and to the deposit slips to determine whether funds were remitted and deposited in a timely manner.
- We reviewed all Clerk reports and deposits for June 2017 through January 2020 to determine whether all cash receipts were accounted for.
- We compared bank deposit compositions to the cash receipts entered into the database to determine whether all deposits were intact.
- We compared receipt books to the program payment sheets to Clerk reports to determine whether any receipts were not deposited or missing.
- We compared online soccer registration forms for 2019 and lists of summer recreation registrations for 2018 and 2019 to the cash receipts entered into the database to determine whether payments were made for all registered participants.
- We compared coaching certificates to registration forms and cash receipts entered into the database to determine whether students on soccer registration lists who did not pay had a parent or guardian coach and to determine whether those parents/guardians who did coach received a refund if they paid.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

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The Board has the responsibility to initiate corrective action. 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

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.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/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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