

# Town of New Castle

## Recreation Department Cash Receipts

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MARCH 2020

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

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# Report Highlights

## Town of New Castle

### Audit Objective

Determine whether payments received by the Recreation Department were properly receipted, deposited and reported to the Town Board.

### Key Findings

- The Board did not develop a comprehensive cash collections policy to provide guidance for payments received at the Department.
- The Department did not receipt and remit money in a timely manner. For remittances made in May 2018 and May 2019, the Department generated receipts up to 21 days after registration and remitted money up to 24 days after collection.

### Key Recommendations

- Adopt written policies related to Department cash receipts.
- Implement cash receipts procedures to address the timely recording and remitting of cash collections.

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

### Background

The Town of New Castle (Town) is located in Westchester County and has a population of approximately 18,000 residents. The Town Board (Board) is responsible for managing the Town's operations. The Town Supervisor is responsible for the Town's day-to-day management and for the development and administration of the budget. The Town's Comptroller is responsible for day-to-day fiscal operations, oversees the budget preparation, and prepares and files monthly reports.

The Town's Recreation Department (Department) is governed by a seven-member Commission in accordance with New York State law. The Recreation Superintendent (Superintendent) is appointed to manage the Department's administrative, programmatic and park maintenance services for the over 150 different recreation activities, 550-acre park system, and the community and art center.

#### Quick Facts

Recreation Revenue 2018	\$1,040,173
Department Employees	12
Number of Recreation Programs Offered	Over 150

### Audit Period

January 1, 2018 – July 17, 2019

# Recreation Department Cash Receipts

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Residents and non-residents are charged a fee for the Town's recreation program participation.<sup>1</sup> Department staff accept cash, checks or money orders, and first time registrants receive both a written receipt and a computer-generated receipt from the recreation software program. Programs may also be paid through an online application, and computer-generated receipts are emailed to the registrant as evidence of payment. For the transportation of senior citizens, the bus drivers collect payments at the time of service based on appointment slips received from the community center. For larger organized senior citizen trips, an assigned staff member accompanies the bus driver to collect money from trip attendees and turn over collections as soon as possible to be receipted in the recreation software program.

The Superintendent is responsible for ensuring all receipts received by his department are properly accounted for, and money collected is remitted to the Comptroller in a timely manner. New York State Town Law (Town Law) requires all money collected by the Department to be prepared for deposit and turned over to the Town Comptroller within 10 days of receipt.<sup>2</sup>

## How Should Town Officials Safeguard Receipts?

The Board and Recreation Commission, together with the Supervisor, Comptroller and Superintendent, are responsible for providing adequate Department oversight. This includes establishing internal controls to provide reasonable assurance that cash is safeguarded and financial transactions are properly recorded. A well-designed set of control procedures can provide reasonable assurance that significant thefts of cash receipts and significant record-keeping errors will be prevented or detected. Such controls should include adopting written cash receipt policies, segregating key duties to ensure that one employee does not perform all phases of a transaction, using serially press-numbered duplicate receipts, and ensuring that transactions are properly recorded and accounting records are up-to-date, complete and accurate.

A well-designed cash management system should have separate cash drawers assigned to each employee collecting cash, and checks and money orders should be restrictively endorsed as soon as they are received. Additionally, depositing money as soon as possible is the best approach to safeguard money received. The longer money remains undeposited, the greater the risk that loss or theft can occur. Because the office manager prepares the deposit and brings it to the Comptroller to deposit in the bank account, funds collected by the Department should be remitted to the Comptroller as soon as possible.

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<sup>1</sup> Examples of programs include after school and summer camps, soccer, T-Ball, arts and crafts class, senior citizen local bus transportation and senior trips, an annual fishing derby, and facility rentals.

<sup>2</sup> New York State Town Law (Town Law) Section 29

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## Cash Collections Were Not Properly Receipted

We initially obtained and reviewed a report of the Department's computer-generated cash receipts for the month of May 2019. We also selected a sample of two deposits made in May 2018 totaling \$44,958 for 83<sup>3</sup> transactions and two deposits made in May 2019 totaling \$19,114 for 34 transactions. We determined whether the selected deposits corresponded to the reports generated from the recreation software, amounts charged for program fees or facility rentals were the rates established by the Recreation Commission, and deposits were timely. We found:

- Cash receipts were not sequential in the May 2018 report generated by the Department's recreation software. For example, transaction number 10379427 for \$287.44 was done on May 17, 2018 and transaction number 10379823 for \$450.00 was done on May 9, 2018. The Superintendent told us that he was not aware the receipt numbers were not sequential and could not explain why this occurred.
- Other than minor discrepancies which we discussed with Town officials, the Department's receipts matched unit cost per program and total amount deposited at the bank for both the May 2018 and the May 2019 deposits reviewed. However, the collections in May 2018 were not always receipted at the time of the transaction. Department staff generated receipts through the software between one and 21 days after they received registration payments for 50 of the 81<sup>4</sup> transactions. The Department remitted money up to 24 days after the transaction in May 2018 and up to 17 days after the transaction in May 2019.
- Checks received were not restrictively endorsed, recreation fees collected were not reconciled with cash receipt records, and the Superintendent did not ensure that Department personnel issued press-numbered duplicate receipts.
- All employees working at the Department can accept payments. However, employees are not provided with separate cash drawers. Therefore, all money collected is commingled in the same envelope until deposited. As a result, the Town cannot verify whether reports are accurate and has no way to determine who is responsible if money is missing.

These discrepancies occurred because the Board did not adopt policies for cash collection and the Superintendent did not implement procedures, such as having checks collected at the Department restrictively endorsed, providing a separate cash drawer to employees with responsibility for collecting cash, or ensuring that sequential press-numbered duplicate receipt books were used at the Department.

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<sup>3</sup> There were actually 83 transactions, but two were for a credit issue and a cash refund.

<sup>4</sup> Ibid.

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As a result, the Town lacks assurance that all collections were deposited intact and is at an increased risk that collections could be lost, stolen or misappropriated without detection. In addition, holding collections longer than necessary further increases the risk that collections could be lost or stolen.

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

The Board should:

1. Adopt a written policy related to Department cash receipts and direct Town officials to establish procedures to safeguard cash receipts.

The Superintendent should:

2. Implement cash receipts procedures to address the timely recording and remitting of cash collections.
3. Ensure receipts are generated from the recreation department software as soon as transactions occur.
4. Ensure money collected by the Department is remitted as soon as possible after the transaction.
5. Ensure press-numbered duplicate receipts are issued for all cash receipts processed at the Department.
6. Ensure a separate cash drawer is assigned to each employee responsible for collections.
7. Ensure checks collected are restrictively endorsed as soon as they are received.

# Appendix A: Response From Town Officials



## TOWN OF NEW CASTLE

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March 10, 2020

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Comptroller

**Robert Deary**

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Office of the New York State Comptroller

Newburgh Regional Office

33 Airport Center Drive, Ste 103

New Windsor, NY 12553

Audit Report Title: Recreation Department Cash Receipts

Audit Report Number: 2020M-019

Dear Chief Examiner Lisa Reynolds,

We are in receipt of the recent draft audit report concerning the Recreation Department Cash Receipts. Please consider this letter our response to the report as well as our Corrective Action Plan. The Town has reviewed your findings and recommendations and has taken each suggestion seriously. The Town agrees with the OSC findings, and provides the following responses:

**Recommendation:** Adopt a written policy related to department cash receipts and direct Town officials to establish procedures to safeguard cash receipts.

**Response:** While the Town does have a written internal cash receipts acceptance policy, this policy was not previously adopted by the Town Board. The Town is currently reviewing policies from other municipalities and will incorporate our existing policy into a more formal document to be approved by the Town Board. The policy will then be added to the Town's policies and procedures manual and provided to department heads for implementation. The Town has a first draft of the policy presently, and it is anticipated that the final draft will be approved by the Town Board in the 2<sup>nd</sup> quarter of 2020.

**Recommendation:** The audit report recommends (6) specific areas of cash handling and receipting for the Superintendent to correct.

**Response:** These six items will be addressed in the Town's adopted Cash Receipts policy. The Deputy Town Administrator/Comptroller will review with the Superintendent to ensure compliance, this will take place in the 2<sup>nd</sup> quarter of 2020.

The Town appreciates the time expended to review our records and procedures, and accepts the recommendations to improve our policies going forward. The Town would like to thank the Office of the New York State Comptroller staff for their professionalism during this process.

Sincerely,

Robert Deary

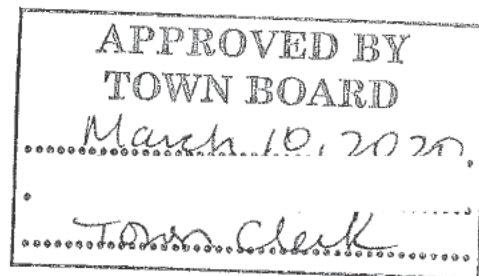
Deputy Town Administrator/Comptroller

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**14. Authorization to Accept NYS OSC Audit Response and Corrective Action Plan**

Council Member Lichtenthal moved, seconded by Council Member Levin to accept the combined audit response and corrective action plan (CAP) prepared by the Deputy Town Administrator to be filed with the Office of the State Comptroller, Newburgh Regional Office.

VOTE	AYES	NAYS
Supervisor Pool		ABSENT
Deputy Supervisor Saland	X	
Council Member Katz	X	
Council Member Levin	X	
Council Member Lichtenthal	X	





## 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 obtained an understanding of the Town's Recreation Department by interviewing several Town officials and employees, researching the Department's website, and reviewing reports, records and Town laws and regulations.
- We obtained, documented and reviewed the Recreation Department's revenue for May 2018 and May 2019.
- We used our professional judgment to select a sample of two Recreation Department deposit tickets in the months of May 2018 and May 2019. We obtained the receipts for the two deposits we selected, along with the Department's program rates and facility rental rates from the Superintendent.
- We matched program and facility rental rates to fees charged and traced cash and check receipts to the Department's deposit tickets. We then traced deposit tickets to the Town's Comptroller Office and documented whether deposits were received and deposited and whether a bank deposit receipt was provided by the bank. Additionally, we documented the time between when payments were received at the Department to when they were receipted and whether deposits were made later than the 15th of day of the following month after the receipt was written.

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.

Good management practices dictate that the Town Board has the responsibility to initiate corrective action. As such, the Town Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

## 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#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

### **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/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/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/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

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