

Town of Danby

Town Clerk

MAY 2022



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

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Report Highlights

Town of Danby

Audit Objective

Determine whether the Town of Danby (Town) Clerk recorded, deposited, remitted and reported collections in a timely and accurate manner.

Key Findings

Tax collections were missing and not deposited timely or intact and were not remitted to appropriate parties in a timely manner. Although the Clerks reported the Clerk fees that were recorded, they did not properly deposit and remit all collections to the appropriate parties in a timely and accurate manner.

The Clerks:

- Did not identify tax collection account errors totaling \$64,959 and could not account for approximately \$1,000 in cash from tax collections.
- Did not maintain adequate supporting documentation for collections.
- Did not complete monthly bank reconciliations and accountabilities.

The Board did not perform an annual audit of the Clerk's records.

Key Recommendations

- Make intact and timely deposits.
- Secure collections prior to being deposited.
- Maintain all records, books and papers including the duplicate cash receipts and required source documents.
- Prepare monthly bank reconciliations and accountabilities.
- Perform, or obtain, an annual audit of the Clerk's records.

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

Background

The Town is located in Tompkins County (County) and is governed by an elected five-member Board including the Town Supervisor (Supervisor). The Board is responsible for general oversight of the Town's operations and finances.

The Clerk serves as Clerk to the Board and collects fees for a variety of purposes, including marriage, dog and environmental licenses, and certified copies of marriage licenses. The Clerk is also responsible for collecting and remitting real property taxes to the Supervisor and County Treasurer (Treasurer).

The former elected Clerk resigned on September 21, 2020, before the end of her term. The Board appointed the current Clerk on September 23, 2020.

Quick Facts

| | |
|---------------------------------------|---------------|
| Population | 3,363 |
| 2020 Real Property Tax Warrant Amount | \$3.9 million |
| 2021 Real Property Tax Warrant Amount | \$4.2 million |
| 2020 Clerk Fees Collected | \$18,400 |

Audit Period

January 1, 2020 – June 30, 2021

We extended the audit period back to January 1, 2019 to review tax collection activity.

Town Clerk

How Should Town Clerks Account for and Remit Collections?

New York State Town Law (Town Law) Section 35 requires town clerks to deposit all real property taxes collected within 24 hours of receipt and remit amounts collected, including interest and penalties, to the town supervisor at least once per week. Once the town's tax levy has been collected in full, tax collections must be remitted to the county treasurer no later than the 15th day of the ensuing month. All remaining money related to tax collections should be remitted to the appropriate parties at the end of collection period, resulting in a zero balance in the bank account at the end of the collection period.

Town clerks must properly account for all transactions by promptly and accurately recording the amounts collected in a cash receipts journal, depositing collections intact (in the same amount and form – cash or check – as received) and remitting collections to the appropriate parties. Town clerks should retain supporting documentation, which includes the payer, purpose, and amount, date of receipt and form of payment (i.e., cash, check or money order) for each payment received. Deposit slips should include sufficient detail to verify that all collections were deposited. Monthly bank reconciliations enable the clerk to verify the accuracy of financial records and ensure assets are sufficient to meet liabilities.

Town Law Section 30 requires town clerks to deposit all fees collected within three business days after total collections exceed \$250. In addition, Town Law Section 27 requires town clerks to remit such money to the town supervisor on or before the 15th of the month following collection. Town clerks must also report and remit collections to certain New York State agencies (Department of Agriculture and Markets, Department of Health and Department of Environmental Conservation) in a timely manner.

Further, preparing a monthly accountability analysis comparing current assets to current liabilities enables town clerks to verify the accuracy of financial records, including identifying any discrepancies in recording, and ensuring proper remittances are made to the town supervisor and other parties.

Tax Collections Were Missing and Not Deposited or Remitted in a Timely Manner

We examined all 124 tax collection journals totaling \$11.2 million for 2019 (43 journals totaling \$3.6 million), 2020 (38 journals totaling \$3.7 million) and 2021 (43 journals totaling \$3.9 million) and all tax remittances made by the Clerks. We found that tax collections were missing, not deposited timely or intact and not remitted to appropriate parties in a timely manner.

Deposits – We found that tax collections were deposited intact during the 2019 and 2020 collection periods. However, deposits were not made intact during the 2021 collection period. While payments received by check were deposited

electronically,¹ cash payments were commingled with other days' cash collections, kept unsecured in the Clerk's office and deposited together in lump sums. We identified one tax collection in 2021 totaling \$3,095, of which \$1,004 in cash was not deposited and cannot be accounted for.

Furthermore, collections were not deposited within 24 hours as required for all three years. On average, deposits were made six days after collection. More specifically, of the 118² journals tested, 93 deposits (79 percent) were made late (Figure 1). The current Clerk stated that she was unaware of the statutory requirements for deposits.

Remittances – During the 2019, 2020 and 2021 collection periods, the Clerks did not make weekly payments to the Supervisor or monthly payments to the Treasurer as required.

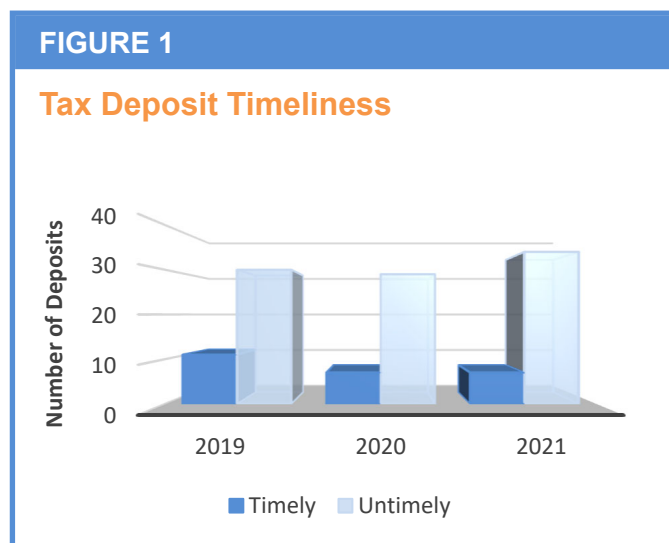
For example, the Clerk(s):

- Collected taxes totaling \$795,500 in the first two weeks of 2020 but did not remit them to the Supervisor on a weekly basis.
- Did not remit \$2 million in taxes collected in 2021 to the Supervisor until the second week of February 2021.
- Did not include interest and penalties as required on any payments to the Supervisor in 2019, 2020 and 2021, and did not remit interest and penalties as of the end of audit fieldwork.
- Did not remit the first payment to the Treasurer until April 2019, April 2020 and April 2021, respectively, although collections were sufficient to cover the Town's levy by the end of January in 2019 and 2020, and the first week in February 2021.

Delays in remitting real property tax collections to the Supervisor and Treasurer resulted in money not being available to fund Town and County operations.

¹ Payments by check are processed electronically using a remote deposit check scanner which allows deposits to be made soon after collection. The bank retains images of the checks deposited for one year after date of deposit.

² Excludes two journals from each year for State and County tax parcels where no actual collections were made.



Delays in remitting real property tax collections to the Supervisor and Treasurer resulted in money not being available to fund Town and County operations.

Additionally, when collections are left unsecured and not remitted or deposited timely and intact, the risk increases for money to be lost or used for inappropriate purposes.

The Clerks Did Not Identify Tax Collection Account Errors

We reviewed the Clerks’ bank statements for the audit period and determined they had residual balances in the account at the end of all three collection periods. We attempted to reconcile the residual balance as of June 30, 2021 using the Clerks’ 2019, 2020 and 2021 tax collection bank statements, tax collection journals and County settlements. We found an accumulation of errors totaling \$64,959; examples include:

- Mortgage tax collections mistakenly deposited into the tax collection account totaling \$26,683,
- An erroneous payment made to the water fund totaling \$12,980,
- Refunds due to taxpayers for overpayments or duplicate payments totaling \$7,211,
- An incorrect utility payment made to the County totaling \$3,698, and
- Five partial payments received but recorded as paid-in-full, resulting in an additional shortage of \$223.

The Clerks did not identify recordkeeping errors because they did not reconcile the bank activity monthly, misunderstood the utility tax payment arrangement with the Treasurer and incorrectly deposited general fund money in the tax collection bank account. Furthermore, they did not perform periodic accountabilities of the tax collection account that would have identified these deficiencies. As a result, there was a net cash shortage in the tax collection bank account of \$1,267 as of June 30, 2021 (Figure 2).

Figure 2: Tax Collector Accountability Analysis as of June 30, 2021

| | |
|---|------------------|
| Ending Bank Balance: June 30, 2021 | \$30,338 |
| Erroneous Payment Made to the Water Fund | 12,980 |
| Incorrect Utility Tax Payments Made to the County | 3,698 |
| Mortgage Tax Collections Incorrectly Deposited into the Tax Account | (26,683) |
| 2019 and 2020 Taxes Owed to the Supervisor | (8,402) |
| Refunds Due to Taxpayers | (7,211) |
| 2019, 2020 and 2021 Interest/Penalties Owed to the Supervisor | (5,846) |
| Owed to the Town Clerk Account | (74) |
| Cash Deposited but Not Recorded | (30) |
| 2019 Deposit Overages | (3) |
| Cumulative Account Balance From Prior Collection Periods | (34) |
| Total Cash Shortage | (\$1,267) |

Clerk Collections Were Not Adequately Supported and Lacked Deposit Detail

The Clerks prepared deposit slips for cash and money order collections.³ The Clerks recorded collections of \$18,400 in 2020 and \$7,700 through June 16, 2021, totaling \$26,100, and we verified that these amounts were deposited. Most of the collections, or \$22,000 (86 percent), were by check and credit card.

We also reviewed three months (January 2020, September 2020 and March 2021) of supporting documentation for Clerk collections,⁴ totaling \$4,842, to determine whether collections were properly recorded, reported, deposited timely and intact, and remitted to appropriate parties in a timely manner.

While the Clerks recorded and reported 161 collections in the three months tested, 85 collections (53 percent) totaling \$1,081 lacked supporting documentation but were properly remitted based on amounts recorded in the Clerk's software. The remaining 76 collections totaling \$3,761 were supported by duplicate receipt records, dog license renewal slips and building permits, and were properly remitted.

Additionally, deposit slips lacked sufficient detail to identify individual collections received. For example, the Clerks listed cash in total and did not itemize the source of the money deposited. Due to these limitations, of the 20 deposits made for the three months tested, we determined seven were timely and nine were intact. The remaining deposits lacked sufficient detail to make a determination.

Due to these weaknesses, we performed additional testing by reviewing source documents (e.g., planning meeting minutes and code enforcement files) associated with the remaining planning and zoning actions, building permits and marriage licenses, totaling \$6,212, to determine whether they were properly recorded, reported and deposited timely and intact. We found the following deficiencies due to lack of itemized deposit details (e.g., license numbers, form of payment, tax map number). We could not verify the composition or timeliness of:

- Nine of the 30 collections for planning and zoning actions totaling \$1,255.
- Three of the seven collections for marriage licenses totaling \$120.

We prepared an accountability analysis (Figure 3) of the Clerk's bank account, which had a balance of \$993 as of June 16, 2021. We were able to materially account for the balance on deposit.

³ See supra note 1.

⁴ Marriage and dog licenses, certified copies of marriage licenses, building permits and planning and zoning actions

Figure 3: Clerk’s Accountability Analysis as of June 16, 2021

| Clerk Assets | |
|---|------------------|
| Clerk Fees Bank Account Balance | \$993 |
| Cash Receipts on Hand, Undeposited | 807 |
| Total Clerk Assets | \$1,800 |
| Clerk Liabilities | |
| Due to the Supervisor | (\$2,637) |
| Due to the New York State Department of Agriculture and Markets | (14) |
| Total Clerk Liabilities | (\$2,651) |
| Other Adjustments | |
| Owed From the Tax Collection Account | \$74 |
| Owed From the Supervisor for Overpayment | 808 |
| Owed From the General Fund | 55 |
| Total Other Adjustments | \$937 |
| Total Clerk Liabilities and Other Adjustments | (\$1,714) |
| Excess Funds | \$86 |

These deficiencies occurred because the Clerks did not maintain adequate support for collections processed through their office. Furthermore, the current Clerk lacked formal training and was unaware she should retain supporting documentation for her records. The Clerk told us that she completed introductory accounting and finance courses after her initial appointment. We referred her to additional training offered by the Office of the State Comptroller and the New York State Association of Towns.

Finally, these deficiencies continued to occur without detection because the Board did not conduct or cause an annual audit of the Clerk’s records and reports as required by Town Law Section 123.

Because the Board did not perform annual audits, its ability to effectively monitor financial operations was diminished. Had the Board conducted or caused annual audits, it may have recognized the deficiencies identified in our report and brought them to the Clerk’s attention to encourage corrective action.

What Do We Recommend?

The Clerk should:

1. Deposit collections in a timely manner.
2. Properly secure collections prior to being deposited.
3. Remit collections to the appropriate parties in a timely manner.

...[T]he Board did not conduct or cause an annual audit of the Clerk’s records and reports as required by Town Law Section 123.

-
4. Issue and retain duplicate receipts for all collections.
 5. Maintain records, books and related support, including the duplicate cash receipts and required source documents.
 6. Ensure deposit slips are detailed enough to identify the deposit's composition and payment purpose.
 7. Prepare monthly bank reconciliations and accountabilities for each account.
 8. Receive additional formal training on how to perform her duties. Such training can include local officials training provided by the Office of the State Comptroller.⁵

The Supervisor should:

9. Work with the Town's insurance company to seek recovery of the missing funds.

The Board should:

10. Conduct an annual audit of the Clerk's records and reports as required.

⁵ www.osc.state.ny.us/local-government/academy

Appendix A: Response From Town Officials



The Town of Danby, New York

1830 Danby Road, Ithaca, NY 14850

<https://danby.ny.gov>

Town Board

Joel Gagnon, Supervisor

+1-607-277-4788 | townboard@danby.ny.gov

Thursday May 5, 2022

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, NY 12236

RE: Town of Danby Town Clerk Examination Report 2022M-8

Dear OSC,

This is my response to your audit of the Danby Town Clerk's Office.

Let me begin by acknowledging the value of this review. Despite multiple CPA audits of the town's books over the years, many of the issues that [REDACTED] and [REDACTED] discovered were unremarked in those audits. Reviewing our practices through a lens of municipal law and associated best practices added a great deal to those routine external audits.

We appear to have wandered away from the straight and narrow over a fairly long period of time. Typically here in Danby, as elsewhere, a person elected as town clerk has had some experience apprenticing under an experienced clerk. Incorrect practices tend to continue simply because "that's the way it is done". In Danby's case, that problem was compounded by a rapid turnover in clerks (Pamela Goddard retired from the office at the end of 2019, was succeeded by Alex Pfeifer, who resigned in August of 2020, and was succeeded in turn by Janice Adelman, the current clerk). Janice had no previous experience in the clerk's office and took office just before needing to prepare for tax collecting in the midst of a pandemic.

Errors were made and are acknowledged in the town clerk's response. I think Janice has covered well both the causes and the remedies she is committed to undertake or has already put in place.

Viewing the findings and recommendations from the perspective of the supervisor, I can see how the absence of a regular town board audit of the clerk could have contributed. I took office in January of 2020. The pandemic shut the town down in March and precipitated a scramble to equip ourselves to conduct the town's business in a virtual environment. Neither I nor the town board even thought to do any of the customary audits in that year. I have gained a much better understanding

of the value of this procedure in light of your audit and the guidance provided to us by your office. I am committed to working with the board to ensure that these audits become our regular practice and I am confident that the board will share that commitment.

With respect to the missing funds that seem to be impossible to trace, the town's insurance company has been contacted and we are awaiting a response. Preliminary indications are that the lost money does not exceed our deductible, so we may simply have to absorb the loss. No indication of dishonesty or fraud was found; this loss remains an unsolved mystery.

Again, thank you for your efforts on behalf of the people of New York State. We in Danby appreciate them.

Sincerely,

Joel Gagnon, Danby Town Supervisor



The Town of Danby, New York

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Janice Adelman, Town Clerk

Cindy Katz, Deputy Town Clerk

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Thursday 28 April 2022

Office of the New York State Comptroller
 Division of Local Government and School Accountability
 110 State Street, 12th Floor, Albany, NY 12236

RE: Audit Response to Town of Danby Town Clerk Examination Report 2022M-8

Dear OSC,

Thank you for this opportunity to provide feedback. It has truly been a learning experience for two individuals who stepped into this world with little prior Town experience and scant training from our predecessors. I was appointed to the Town Clerk/Tax Collector role on 23 September 2020 and immediately began looking for more efficient and effective tools to keep track of and record the entirety of information and financial flow through the office—an effort that is ongoing. I also enrolled in several trainings and utilized the local Tompkins County Clerks Association (of which I am a member) for guidance.

Table 1. List of Online Trainings

| Date(s) | Sponsor | Topic |
|----------------|---------|---|
| 10.Dec.2020 | AOT | Tax Collection in Towns: A Primer for 2021 |
| 12–14.Jan.2021 | OSC | Basic Accounting School |
| 19–20.May.2021 | AOT | Finance School |
| 9.June.2021 | OSC | Annual Update Document: Common Reporting Errors |
| 29.June.2021 | OSC | Local Government Budgeting Seminar for Town Officials |
| 28.July.2021 | OSC | NYSLRS Record of Activities: Elected... Officials |
| 21.Sept.2021 | AOT | Town Budgets 2022: The Ebb & Flow Edition |
| 10.Nov.2021 | OSC | Internal Controls for Tax Collection |
| 6–7.Jan.2022 | AOT | Newly Elected Virtual Training |

Of course, sitting through trainings and living through experience are two entirely unique

things; I acknowledge all of the errors that your report uncovered during my tenure in the year 2021, particularly as it relates to property tax collections. Despite having read and reviewed in preparation for tax collection, I continued to make mistakes both on my own, and by following my two predecessors leads (i.e., that's how they did it...). With the guidance of the auditors, the tax collection process for 2022 was much smoother and more highly accountable.

Starting With a Zero Balance

For starters, I began the tax collection season by zeroing out the tax collector bank account. As the auditors noted, the tax collector bank account held a balance when I began at the end of 2020. I did not know what it was for, so I left it; at the end of 2021 the tax collector bank account held \$30,337.73. I then paid out refunds in the amount of \$679.42 to four taxpayers, and the remaining \$29,658.31 in the account went to the Danby Town Supervisor.

Making Timely Deposits

Aside from the period of 7–12 January 2022 when I was quarantining with COVID (and the deputy clerk was quarantining from 10–16 January with COVID), we both made daily (sometimes multiple daily) remote check deposits; I made cash deposits at the bank within 24 hours of receipt 11 out of 18 times, as seen in Table 2. The slower months of February and March resulted in less trips to the bank in downtown Ithaca. I will rectify this in the coming tax season (2023).

Table 2. Time To Deposit Tax Cash Payments, 2022

| Payment Date | No of Bills Paid | Cash Amount | Deposit Date | Time Lag (Days) | Actual Deposit Amt |
|--------------|------------------|-------------|--------------|-----------------|--------------------|
| 3.Jan.2022 | 3 | \$ 738.91 | 4.Jan.2022 | 1 | 738.91 |
| 5.Jan.2022 | 3 | \$ 5,954.91 | 6.Jan.2022 | 1 | 5,954.91 |
| 6.Jan.2022 | 2 | \$ 3,040.91 | 7.Jan.2022 | 1 | 3,040.91 |
| 7.Jan.2022 | 1 | \$ 824.38 | 18.Jan.2022 | 9* | 824.38 |
| 18.Jan.2022 | 1 | 819.38 | 20.Jan.2022 | 2 | |
| 19.Jan.2022 | 2 | 3560.55 | 20.Jan.2022 | 1 | |
| 20.Jan.2022 | 2 | 4463.73 | 20.Jan.2022 | 0 | 8,833.64 |
| 21.Jan.2022 | 1 | 1575.95 | 25.Jan.2022 | 3* | 1,575.95 |
| 25.Jan.2022 | 2 | 1,371.79 | 26.Jan.2022 | 1 | |
| 26.Jan.2022 | 1 | 281.48 | 26.Jan.2022 | 0 | 1,653.27 |

| | | | | | |
|-------------|---|----------|-------------|-----|----------|
| 27.Jan.2022 | 2 | 2,977.17 | 28.Jan.2022 | 1 | |
| 28.Jan.2022 | 5 | 4,316.05 | 28.Jan.2022 | 0 | 7,293.22 |
| 31.Jan.2022 | 4 | 3,392.56 | 1.Feb.2022 | 1 | 3,392.56 |
| 3.Feb.2022 | 2 | 768.04 | 7.Feb.2022 | 3* | 768.04 |
| 9.Feb.2022 | 2 | 0.48 | 29.Mar.2022 | 41* | |
| 24.Feb.2022 | 1 | 1458.44 | 29.Mar.2022 | 28* | |
| 28.Feb.2022 | 1 | 288.03 | 29.Mar.2022 | 25* | |
| 10.Mar.2022 | 1 | 2.76 | 29.Mar.2022 | 16* | 1,749.71 |

Shaded rows indicate when payments from multiple days were deposited together.

*Includes Saturdays but not Sundays

Properly Securing Collections Prior to Deposit

In addition, I purchased not only a separate locking cash drawer, but also a separate locking file cabinet for tax collections, and by resolution created a tax change and a clerk change fund in the amount of \$100 each, thereby keeping tax payments and clerk payments physically separate in all cases. The deputy and I consistently locked the drawers and file cabinets at all times.

Remitting Tax Collections to the Town Supervisor and Tompkins County

I have improved greatly in this realm, yet am still not in full compliance. Specifically, I made payouts to the Danby Town Supervisor twice: the first on 27 Jan in the amount of \$1,290,000.00; the second time on 9 Feb with three checks in the amounts of \$621,551.00, \$16,690.00, and \$814,876.05. In sum, these four checks covered the amount owed to the Supervisor as stated in the Tax Collector’s Warrant (\$2,743,117.05). Regarding timely remittance to the County, we switched over to their Tax Collections System as a means to reduce errors and increase efficiency between the town and the county. Unfortunately, it was not smooth sailing and I only sent the payment owed to the county for installment payments (usually sent in February) on 14 April. I then cut a final check to the Town Supervisor on 25 April for interest and penalties received in the months of February and June in the amount of \$1,146.70. An error occurred related to interest and penalties in the month of March when the new [REDACTED] system we were using continued to apply the February interest fees rather than the March interest owed. Eight payments were received via online [REDACTED] in March, resulting in a loss of \$100.23 in expected interest fees. All told, however, we collected \$3,389,902.34 of the \$ 3,974,133.01 warrant.

Clerk Fees Collection, Deposit, and Remittance

As noted in the introduction, one of my goals since starting in this position is to find ways to increase the town's efficiency and effectiveness in serving Danby residents. I found that the siloed departments make tracking information—not to mention payments and fees—challenging. The current set-up has been less than ideal in many ways. For starters, the Town Clerk software that I inherited does not communicate with its own online payment system. For example, dog licenses can be renewed online. When that happens, a notification is sent via email (often found in my spam folder) so that I can then be enter that payment/license renewal into the Town Clerk software. As I was unaware of this glitch when I started, a handful of dog licenses were not updated accordingly; in one instance, a dog owner ended up paying for the same renewal twice.

Similarly, hunting licenses are purchased through the [REDACTED]. This means that at the end of a given day when hunting licenses were sold, those purchases must be manually entered into the Clerk software to account for the commission that we receive and the subsequent sales amount that will be deducted automatically from the clerk's bank account from [REDACTED] per the authorized agent agreement. During the fall hunting season, the increased amount of purchases made can result in errors when transferring purchases over, whether the recording happens too soon and another purchase comes in, or too late and we need to backtrack.

Finally, there is the issue of collecting payments from other departments, such as Planning and Zoning. I continue to work with both of those departments to streamline the process for approving permits, subdivisions, and zoning fees. However, given that our two sides still don't have an easy way to see where the other is in the process, there is indeed room for error. In the case of building permits, the Code Enforcement Officer tracks the entire process, including collection of payment; at the end of the month, he turns over the payments to the clerk's office to process and deposit. This leads to delayed deposit times and inconsistencies in our reporting to the Board.

Issue and Retain Duplicate Receipts for All Collections

Receipts are stored both electronically and in paper format. For tax payments, we retain a copy of the taxpayers remittance stub (when available), a copy of the recorded payment in the tax collection system, and a copy of the bank deposit (whether by remote check deposit or in-person cash deposit). On the Clerk Fee collection side, we are working toward improving the recording process given the challenges described above, and will ultimately have better control of tracking these payment via receipts and deposits.

Maintain Records, Books, and Related Support; Prepare Monthly Bank Reconciliations

In addition to the above duplicate receipt system, we maintain a back-up spreadsheet to follow and reconcile our accounts with all systems, for both the tax collections and the town clerk collections. The spreadsheet includes the ability to reconcile our bank statements down to the transaction line. Although I have not made it a monthly habit yet for reconciling against bank statements, I have begun to work this into my monthly routine and expect that by the end of this year, a monthly reconciliation will be second-nature.

Receive Additional Formal Training on Town Clerk Duties

I continue to register for virtual training opportunities. My last training was in January with the AOT newly elected officials program (since I was officially elected to my position on November 2021). I am also registered for upcoming trainings, including the OSC Advanced Account School (15-16.June.2022) and the OSC Seminar: A Roadmap for Creating Effective Budgets for Towns (21.June.2022).

I am eager to keep working with the Town Supervisor and the Town Board in collaboration to ensure that the oversights that your audit revealed are properly addressed and remedied.

Respectfully yours,

Janice Adelman
Town Clerk

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 the Clerk and other Town officials to gain an understanding of internal controls over collecting, recording, depositing, remitting and reconciling money collected by the Clerk, and to determine whether policies and procedures were in place for Clerk operations, including the annual audit requirement by the Board.
- We reviewed Board minutes and both monthly and annual reports provided to Board members to determine the extent of financial information received by the Board.
- We compared bank statement activity and check images to transactions in the financial software to determine whether the Clerk remitted all real property tax collections to the Supervisor and Treasurer in a timely manner for the 2019, 2020 and 2021 tax collection periods.
- We reviewed all tax collection journals for the 2019 (43 journals totaling \$3.6 million), 2020 (38 journals totaling \$3.7 million) and 2021 (43 journals totaling \$3.9 million) collection periods to determine whether amounts collected were deposited timely and intact and were posted timely in the financial software.
- We communicated with three taxpayers to determine whether the amounts paid matched the amounts recorded and to confirm the identification of missing cash and underpayments of taxes due for the 2021 collection year.
- We reconciled the tax collection activity for 2019, 2020 and 2021 from the financial software to the tax collector's bank account to determine whether all activity recorded was reflected within the bank account.
- We reviewed the Town's 2019, 2020 and 2021 annual real property tax collection settlement with the County. We compared amounts levied from the collector's warrant to collections made by the Town, remittances to the Supervisor, unpaid balances turned over to the County for collection and to the final settlement payment made to the Treasurer to determine whether the Clerk closed out the tax collection process each year in a timely and accurate manner.
- We used our professional judgment to select 10 tax payments totaling \$23,389 in 2019, 10 tax payments totaling \$8,110 in 2020 and 10 tax payments totaling \$16,793 in 2021, collected between February 15 and March 31 each year, to determine whether interest, penalties and fees were appropriately charged and deposited.
- We reviewed all non-cash credit adjustments in 2019, 2020 and 2021 to determine whether the adjustments were adequately supported.

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- We compared the re-levy lists for the 2019, 2020 and 2021 tax collection periods submitted to the Treasurer with the unpaid account listing in the financial software to determine whether the Clerk accurately closed out tax collections.
 - On June 16, 2021, we verified the amount of cash in the Clerk's cash drawer was accounted for in her records.
 - We used our professional judgment to select three months of receipt activity and traced supporting documentation to the Clerk's financial software and to the bank deposit to determine whether the receipts were supported, deposited timely and intact and recorded. We also verified these amounts were remitted and reported accurately and timely to the Supervisor. We also attempted to reconcile these balances to the bank.
 - Due to lack of detailed deposit records, we compared all recorded activity in the financial software to the bank activity for the audit period to determine whether all receipts recorded were deposited.
 - We added testing to support conclusions for Clerk receipts that were lacking supporting documentation to determine whether money was collected, recorded and deposited timely and intact. We obtained physical copies of marriage licenses filed in the Clerk's office and traced all licenses to the financial software for the audit period and to the bank statements. We applied the same methodology to planning and zoning fees by reviewing the Planning and Zoning Board minutes and tracing these to associated property folders, if available, to determine whether these fees were collected, recorded and deposited timely and intact. Lastly, we selected 15 building permits from the Code Enforcement Officer's records and traced associated fees to the Clerk's records and bank statements to determine whether these fees were collected, recorded and deposited timely and intact.
 - We performed a check accountability by comparing the first check number written for 2020 activity to the last check number written in June 2021 to determine whether all checks were accounted for, including voided checks, for the Clerk's bank account. We performed the same testing for the tax collection bank account beginning with the first check in 2019 and gaining an accountability of all checks as of May 17, 2021.
 - We used our professional judgment to select and communicate with four local banks to determine whether we had the entire population of accounts and determined whether balances reported matched those reported by the banks.
 - We compared our analysis of collections of Clerk's fees to reconcile the June 2021 bank balance.

-
- We compared all Clerk's fees collected in our audit period to the monthly remittances paid to the Supervisor and other State agencies to determine whether the collections were reported and remitted accurately and timely.
 - We reviewed all canceled check images and bank statements for the Clerk fees and tax collection bank accounts for 2019, 2020 and 2021 to determine whether there were any cash withdrawals, transfers out, checks payable to "cash" or checks written to the Clerk or any deputy clerk.

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.

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

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

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

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

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/files/local-government/publications/pdf/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

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

www.osc.state.ny.us/local-government/publications

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

Contact

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Division of Local Government and School Accountability
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