



Village of Cedarhurst

Transparency of Fiscal Activities

S9-24-19 | December 2024

Contents

- Report Highlights 1**

- Transparency of Fiscal Activities 2**
 - How Should Village Officials Provide Transparency of Fiscal Activities? 2
 - The Board Did Not Provide For an Annual Audit of the CFO’s Records and Reports 3
 - The Board Did Not Ensure the CFO Prepared and Filed the AFR. 4
 - What Do We Recommend? 5

- Appendix A – Response From Village Officials 6**

- Appendix B – General Recordkeeping and CFO Checklist 8**

- Appendix C – Audit Methodology and Standards 11**

- Appendix D – Resources and Services 13**

Report Highlights

Village of Cedarhurst

Audit Objective

Determine whether the Village of Cedarhurst (Village) Board of Trustees (Board):

- Conducted an annual audit of the Village Chief Fiscal Officer's (CFO) financial records and reports,
- Filed the required Annual Financial Report (AFR) with the Office of the State Comptroller (OSC), and
- Reported the results of the Village's fiscal activities to the public in a transparent manner.

Key Findings

The Board did not:

- Conduct an annual audit, or cause to be audited, the CFO's 2022-23 financial records and reports, as required by New York State Village Law (Village Law) Section 4-408. The 2019 fiscal year audit was completed in May 2023, subsequent years have not been audited.
- Ensure the past six fiscal year AFRs were prepared and filed with OSC, as required by New York State General Municipal Law (GML) Section 30, or
- Report the results of the Village's fiscal activities to the public, as required by GML Section 30 and Village Law Section 4-408.

In addition, revenue and expenditure accounting entries totaling \$5.5 million were not properly recorded. For example, payroll and health insurance amounts, and the tax levy were entered on the balance sheet instead of being categorized as salary expenditures and real property tax revenue. Due to the Village's lack of transparency, taxpayers and other interested parties could not properly assess the Village's financial condition and make informed decisions.

Recommendations

The audit report includes six recommendations to help the Board and CFO improve the transparency of their fiscal activities. Village officials generally agreed with our recommendations and indicated they have taken or will take corrective action.

Audit Period

June 1, 2022 – October 1, 2023

We extended our review of the last filed AFR to September 2024.

Background

The Village is located in the Town of Hempstead in Nassau County and is governed by the elected Board, comprising a Village Mayor (Mayor), Deputy Mayor and three Trustees.

The appointed Clerk-Treasurer is the Village's CFO and, in accordance with Village Law Section 4-408, is responsible for the custody of all Village funds, and must:

- Keep accounts of all receipts and expenditures,
- Deposit all funds received in a timely manner,
- Pay out all funds, and
- File a statement at the end of the fiscal year of all revenues and expenditures during the previous fiscal year and the outstanding indebtedness at year-end.

Quick Facts

2022-23 General Fund Appropriations	\$7.2 million
-------------------------------------	---------------

Population	7,374
------------	-------

As of September 30, 2024

Unfiled AFRs	Days Late
--------------	-----------

2022	762
------	-----

2023	397
------	-----

2024	31
------	----

Transparency of Fiscal Activities

The public has a fundamental right to know how village officials spend tax dollars to provide various services to the public, including general government support, street maintenance and improvement, snow removal, fire protection and refuse collection. To this end, village officials have a responsibility to ensure comprehensive financial information supporting a village board's actions and village operations is readily accessible and available to the public in a transparent manner.

How Should Village Officials Provide Transparency of Fiscal Activities?

A village board is responsible for overseeing the village's financial operations and safeguarding its resources and is required by Village Law Section 4-408 to annually audit, or cause to be audited, the village CFO's¹ books and records. These books and records include:

- Cash receipt and disbursement transactions,
- Cash reconciliations,
- Receivables,
- Investment records,
- Deposit protections,
- Indebtedness and property records,
- Payrolls, and
- Financial reports.

The audit of these records should be thorough and sufficiently detailed and helps to ensure that sufficient board oversight is being maintained over village operations. An audit of the CFO's records should determine that the following minimum concerns are met:

- Financial records are complete and up to date,
- Transactions are recorded properly,
- Reconciliations are performed monthly, and
- Required reports are made in a timely and accurate manner.

Appendix B includes a checklist and OSC guidance on conducting an annual audit excerpted from our Local Government Management Guide publication *Fiscal Oversight Responsibilities of the Governing Board*.² At a minimum, audits provide the village board with the opportunity to assess the effectiveness of financial operations. An annual audit also provides an independent verification that transactions are properly recorded, that village money is properly accounted for and whether any significant fiscal concerns exist.

Furthermore, GML Section 30 requires a CFO to prepare and file an annual report of the village's financial position and results of operations, known as the AFR, with OSC within 90 days³ after the close of the fiscal year. The AFR provides detailed information about the village's finances and includes such items as revenues, expenditures, debt, cash reserves and fund balance.

¹ A village can appoint an individual to serve as both clerk and treasurer, or have separate individuals serving as Village Clerk, and as Village Treasurer. Generally, the clerk-treasurer position encompasses the main responsibilities of the treasurer's area of financial accountability and reporting.

² Available at <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>.

³ Villages with populations under 5,000 have 60 days to file, between 5,000 to 19,999 have 90 days, and populations with 20,000 or more have 120 days.

As part of its oversight responsibilities, a village board should ensure the CFO prepares and files the AFR as required. In addition, the AFR must be made available to the public in accordance with:

- Village Law Section 4-408 which requires the board to publish a notice in the village's official newspaper within 10 days that the AFR has been filed and is available to the public for inspection, and
- GML Section 30 which requires a village to make the AFR accessible to the public on its official website.

Gaps or delays in preparing records, completing annual audits and filing reports undermine transparency and create missed opportunities to identify fiscal concerns earlier when it might be more easily remedied.

The Board Did Not Provide For an Annual Audit of the CFO's Records and Reports

The Board did not audit, or cause to be audited, the CFO's records and reports for the fiscal year ending May 31, 2023. The last audit completed was performed by a certified public accounting (CPA) firm for the fiscal year ending May 31, 2019, in May 2023.

The Mayor told us the reason the CPA firm performed the audit four years later was due to disruptions the Village experienced during the COVID-19 pandemic and the Village's need for clarification regarding the Governmental Accounting Standards Board (GASB) accounting treatment of fixed assets. However, although the COVID-19 pandemic may have caused disruptions for the Village, including staffing issues, the Board had the option to audit the CFO's records on their own. Additionally, issues related to GASB accounting should have been addressed promptly to ensure timely financial reporting and transparency. Of the three Board members we interviewed, the Mayor and one Trustee were aware of the annual audit requirement; the Deputy Mayor told us he was unaware of the requirement, but thought it was a good business practice for an annual audit.

Due to the Board's inaction, we performed an annual audit of the CFO's records for the year ending May 31, 2023, using OSC guidance available to, and for, Trustees of the Village. Overall, we determined the CFO's records were not properly maintained or up to date.

We identified cash receipts and disbursements transactions incorrectly recorded, which delayed an annual audit and the reporting of financial information to the Board as follows:

- The real property tax levy of \$2 million was entered into the balance sheet, rather than as real property tax revenue for the fiscal year ending May 31, 2023.
- Payroll amounts reported in the payroll journals, totaling \$2.2 million, were entered on the balance sheet instead of being categorized as salary expenditures for the fiscal year ending May 31, 2023.
- Health insurance payments reported in the cash disbursement journal, totaling \$1.3 million, were also entered on the balance sheet rather than being recognized as health insurance expenditures for the fiscal year ending May 31, 2023.

If accounting records include incorrectly recorded entries, reports to the Board would be incomplete or delayed until completed. Therefore, had an annual audit commenced after the fiscal year's end, the audit could not have been completed because the accounting records were not up to date at the time.

The Clerk-Treasurer told us:

- When he was appointed and became CFO, the Village's practice was to enter real property tax collections, payroll payments, and health insurance payments into clearing balance sheet accounts, which he continued to do.
- The CPA firm would provide him with adjusting journal entries to post these transactions to proper revenue and expenditure accounts at year-end. Because of the delay in auditing, the CPA firm has not provided the year-end entries to the Clerk-Treasurer to put transactions into the proper accounts.
- He performs the bank reconciliations and provides a budget status report to Board members for their monthly meetings. However, no one reviews the accuracy of the bank reconciliations, and the Board members were provided incomplete and inaccurate financial reports.

Although the Board received monthly budget status reports during its monthly meetings, the Mayor told us that the Board does not review the reports in detail and the Board's priority is reviewing and approving Village claims. Without accurate and complete financial reports, the Board cannot effectively monitor actual results of operations against budget estimates.

The Board Did Not Ensure the CFO Prepared and Filed the AFR

The Clerk-Treasurer had not filed the AFR with OSC for the last six fiscal years, including the 2018-19 through the 2023-24 fiscal years. At the beginning of our audit, the AFRs for the fiscal years 2018-19, 2019-20 and 2020-21 were filed in June and July 2024. The 2021-22, 2022-23 and now the 2023-24 AFRs remain unfiled. As a result, annual financial information was not available to the public for the last six fiscal years.

The Mayor, Deputy Mayor and one Trustee said they knew it was a requirement to file the AFR with OSC within 90 days after the close of the fiscal year. However, the Clerk-Treasurer and Mayor told us that the AFR was not filed because:

- The Village lost three Senior Account Clerks during the five-year period.
- The Clerk-Treasurer and CPA firm were awaiting clarification on how to record the transfer of its sewer operations to the County in the Village's accounting records.
- The COVID-19 pandemic further delayed the Village's ability to file its AFRs for the last five fiscal years.

As described in the previous section, incorrectly recorded transactions in the Village's accounting records would have prevented annual filing by August 30, 2023.

Due to the Village's lack of transparency, taxpayers and other interested parties were not able to properly assess the Village's financial operations and financial condition using Village records to make informed decisions.

Due to the condition of the Village's financial records, we reviewed the Village's bank ending balances and compared them to the following year's budget for the Village's general fund for the 2022-23 fiscal year. Although we did not identify any significant fiscal concerns, the Board's ineffective oversight of fiscal activities resulted in a lack of transparency with the public.

What Do We Recommend?

The Board should provide oversight and transparency by:

1. Conducting the annual audit of the CFO's records and reports or causing the audit to be performed.
2. Ensuring the CFO prepares and files the AFR.
3. Notifying the public that the AFR is available and posting the AFR to the Village's website.
4. Attending applicable and beneficial training sessions to obtain a better understanding of its duties. Training provided by OSC can be found at www.osc.ny.gov/localgov/academy/index.htm

The Clerk-Treasurer, as the Village's CFO, should:

5. Provide accurate and complete financial reports to the Board.
6. Prepare and file the AFR with OSC as required.

Appendix A: Response From Village Officials



Village of Cedarhurst NASSAU COUNTY, NEW YORK

MAYOR
BENJAMIN WEINSTOCK

BOARD OF TRUSTEES
ARI BROWN, DEPUTY MAYOR
MYRNA ZISMAN
ISRAEL WASSER
DANIEL PLAUT

200 CEDARHURST AVENUE
CEDARHURST, NY 11516
516-295-5770
FAX 516-295-1077

www.cedarhurst.gov
e-mail: village@cedarhurst.gov

This is a combined response and corrective action plan from the Board of Trustees of the Incorporated Village of Cedarhurst to the Draft Report of Examination Number S9-24-19 (the “ROE”).

OSC Recommendations.

The Board should provide oversight and transparency by:

1. Conducting the annual audit of the CFO’s records and reports or causing the audit to be performed.
2. Ensuring the CFO prepares and files the annual financial report.
3. Notifying the public that the AFR is available and posting the AFR to the Village’s website.
4. Attending applicable and beneficial training sessions to obtain a better understanding of its duties. Training provided by OSC can be found at www.osc.state.ny.us/localgov/academy/index.htm

The Clerk-Treasurer, as the Village’s CFO, should:

5. Provide accurate and complete financial reports to the Board.
6. Prepare and file the AFR with OSC as required.

Board’s Response:

The Board is confident that it manages government resources for the benefit of its residents and business owners in an efficient and cost effective manner. The ROE noted favorably that no significant fiscal concerns were noted in the audit and the ROE focused principally on reporting concerns.

The Board accepts the recommendations in the ROE. The delays in completing prior audits and filings are due in large measure, as noted in the ROE, to the fact that:

- (a) The Village lost three Senior Account Clerks during the five-year period.
- (b) The Clerk-Treasurer and CPA firm were awaiting clarification on how to record the transfer of its sewer operations to the County in the Village's accounting records.
- (c) The COVID-19 pandemic further delayed the Village's ability to file its AFRs for the last five fiscal years.

As further corrective action, the Village has hired a Certified Public Accountant as an employee of the Village, in addition to the independent CPA firm that audits the Village's financial information, to assist the Village's CFO to catch up and complete any missing information needed to file AFR's and financial statements, and to remain current thereafter.

Three of the missing AFR's have already been posted. The remaining three AFR's due through 2024 will be filed seriatim. The first one will be filed by December 31, 2024 and the other two will be filed within 60 days thereafter. They will be posted on the Village's website upon filing with NYS OSC.

Board members have agreed to attend applicable and beneficial training sessions provided on the OSC website.

Respectfully submitted,


Benjamin Weinstock, Mayor

Dated: November 8, 2024

Appendix B: General Recordkeeping and CFO Checklist

Determine the types of funds in use, and whether separate cash receipts and disbursements books are maintained for the various funds or whether a single cash receipts and single cash disbursements book is maintained. The following checklist can be used for each fund maintained and is excerpted from pages 26-28 of our publication Local Government Management Guide publication *Fiscal Oversight Responsibilities of the Governing Board* available at: <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

Cash Receipts	YES	NO
Is the cash receipts journal up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Is the cash receipts journal maintained in a manner that identifies the date received, payer, purpose and the amount either individually or totals referenced to subsidiary receipt records (e.g., water rents receipts register)?	<input type="checkbox"/>	<input type="checkbox"/>
Are un-deposited cash receipts safeguarded?	<input type="checkbox"/>	<input type="checkbox"/>
Are duplicate deposit slips kept?	<input type="checkbox"/>	<input type="checkbox"/>
Do deposit amounts agree with cash receipt amounts?	<input type="checkbox"/>	<input type="checkbox"/>
Are deposits made timely and recorded up-to-date? <i>Last Recorded Deposit: Date _____ Amount _____</i>	<input type="checkbox"/>	<input type="checkbox"/>
Is the cash receipts journal totaled and summarized monthly?	<input type="checkbox"/>	<input type="checkbox"/>

Cash Disbursements	YES	NO
Is the cash disbursements journal up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Is the cash disbursements journal maintained in a manner to identify amounts disbursed either individually or totals referenced to abstracts or payrolls?	<input type="checkbox"/>	<input type="checkbox"/>
Are pre-numbered checks used for all disbursements (other than petty cash)?	<input type="checkbox"/>	<input type="checkbox"/>
Are all checks signed by the chief fiscal officer and co-signed if required?	<input type="checkbox"/>	<input type="checkbox"/>
If checks are signed electronically, is the signature stamp or software in the custody and control of the chief fiscal officer?	<input type="checkbox"/>	<input type="checkbox"/>
Are canceled checks or check images returned with bank statements and maintained on file?	<input type="checkbox"/>	<input type="checkbox"/>
Are all unused checks properly controlled (blank check stock)?	<input type="checkbox"/>	<input type="checkbox"/>
Are checks recorded up-to-date? <i>Last Recorded Check: # _____ Date _____ Amount _____</i>	<input type="checkbox"/>	<input type="checkbox"/>
Is the cash disbursements journal totaled and summarized monthly?	<input type="checkbox"/>	<input type="checkbox"/>
Are payments supported by appropriate documentation? Consider comparing a sample of disbursements with supporting documentation.	<input type="checkbox"/>	<input type="checkbox"/>

Cash Reconciliations			YES	NO
Are bank accounts reconciled?			<input type="checkbox"/>	<input type="checkbox"/>
<i>By Whom?</i> _____				
<i>How Often?</i> _____				
<i>Who Reviews/Verfies Them?</i> _____				
Is the bank reconciliation performed by a person whose job duties do not include maintaining either the cash receipts or disbursements journals or receiving or disbursing cash?			<input type="checkbox"/>	<input type="checkbox"/>
Is the bank reconciliation performed in a timely manner after the bank statement is received?			<input type="checkbox"/>	<input type="checkbox"/>
Last Bank Reconciliation for Each Bank Account				
Bank Account	Date Performed	Month Ending		
Are reconciliations documented and available for review?			<input type="checkbox"/>	<input type="checkbox"/>
Does the reconciled bank balance agree with the cash balance recorded in the accounting records?			<input type="checkbox"/>	<input type="checkbox"/>

Receivables	YES	NO
Are receivable control accounts maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Is there indication that the receivable control accounts are reconciled to the detail subsidiary records?	<input type="checkbox"/>	<input type="checkbox"/>

Investment Records	YES	NO
Is an investment record maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Is the record complete and up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>

Deposit Protection	YES	NO
Has the bank pledged adequate, eligible securities to protect deposits and investments (under the custody of the chief fiscal officer) that exceed FDIC insurance protection?	<input type="checkbox"/>	<input type="checkbox"/>

Indebtedness Records <i>(This record is maintained by the clerk in certain local governments)</i>	YES	NO
Is an indebtedness register maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Is the register complete and up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>

Property Records	YES	NO
Are property records maintained?	<input type="checkbox"/>	<input type="checkbox"/>
Are the records up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Are all fixed assets included in the records?	<input type="checkbox"/>	<input type="checkbox"/>
Are physical inventories taken and compared to the records?	<input type="checkbox"/>	<input type="checkbox"/>

Financial Reporting	YES	NO
Are interim reports (budget/actual; trial balances; etc.) prepared?	<input type="checkbox"/>	<input type="checkbox"/>
Are the reports distributed to the governing board and department heads?	<input type="checkbox"/>	<input type="checkbox"/>
Does total year-end recorded cash agree with that reported in the annual financial report?	<input type="checkbox"/>	<input type="checkbox"/>

Payrolls	YES	NO
Are payrolls certified/approved by the appropriate official?	<input type="checkbox"/>	<input type="checkbox"/>
Are pay rates in accordance with collective bargaining agreements and other lawful employment contracts, or board resolutions?	<input type="checkbox"/>	<input type="checkbox"/>
Is leave time accounted for?	<input type="checkbox"/>	<input type="checkbox"/>

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We reviewed Board minutes and interviewed the Mayor, Clerk-Treasurer, and a Trustee to gain an understanding of the Village's operations and the Board's oversight regarding annual audits, filing of the AFR and review of financial reports.
- We performed an annual audit of the Clerk-Treasurer's records for the fiscal year ended May 31, 2023, using OSC guidance available to Board members.
- We reviewed judgmental samples of cash receipt and disbursement transactions for May 2023 to identify the dates these transactions were entered into the accounting records.
- We compared the tax levy from the adopted budget for the 2022-23 fiscal year to amounts recorded in the accounting records to determine the dollar amount of incorrectly recorded real property tax revenues.
- We compared the total earnings from payroll journals during the 2022-23 fiscal year to amounts recorded in the accounting records to determine the dollar amount of incorrectly recorded salary expenditures.
- We compared the total health insurance payments from cash disbursement journals during the 2022-23 fiscal year to amounts recorded in the accounting records to determine the dollar amount of incorrectly recorded Health insurance expenditures.
- We assessed whether the Village experienced any significant fiscal concerns by reviewing the bank ending balances and compared them to the following year's budget for the general fund for the year 2022-23.

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-Treasurer's office.

Appendix D: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

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

STATEWIDE AUDITS – Dina M.L. Thompson, Chief of Municipal Audits

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Statewide@osc.ny.gov