



Village of North Haven

Collections

2024M-99 | November 2024

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Report Highlights

Village of North Haven

Audit Objective

Determine whether Village of North Haven (Village) officials ensured collections were properly collected, recorded and deposited.

Key Findings

Village officials did not ensure collections were properly collected, recorded and deposited in a timely manner. As a result, the Village has an increased risk that funds could be lost, misused or misappropriated. We reviewed 922 collections totaling \$1.4 million and identified 486 collections totaling \$829,694 that had one or more discrepancies, as follows:

- 72 collections totaling \$238,032 did not indicate the form of payment (cash or check). Therefore, officials and OSC auditors could not determine whether the deposits were deposited in the same form and amount as collected (intact).
- 358 collections totaling \$537,175 did not indicate the date of receipt. Therefore, officials and OSC auditors could not confirm whether the collections were deposited in accordance with Village Law Section 4-408.
- 48 collections totaling \$53,722 were not deposited in a timely manner, and 69 collections totaling \$57,426 were not recorded on a timely basis, increasing the risk for errors or misappropriations.

In addition, officials did not properly segregate the duties of, or review the work performed for, collecting, recording and depositing of collections. Furthermore, building department records were not properly maintained, and independent reviews and reconciliations were not performed. As a result, errors and irregularities were not detected and corrected.

Recommendations

The audit report includes eight recommendations, which, if implemented, will improve the Village's collections process.

Village officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Audit Period

June 1, 2022 – November 30, 2023

Background

The Village is located in the Town of Southampton in Suffolk County (County).

The Village is governed by a five-member, elected Village Board (Board), which includes the Village Mayor (Mayor) and four trustees. The Board is responsible for overseeing and managing the Village's financial activities. The Mayor is the Village's chief executive officer.

The Clerk-Treasurer is the Village's chief fiscal officer and is responsible for the Village's day-to-day financial activities. The former Clerk-Treasurer passed away in August 2023. In November 2023, the Board appointed a new Clerk-Treasurer. In the interim, the Village's deputy clerk performed the treasurer duties. The Village's building inspector oversees the Village's building department.

Quick Facts

During Audit Period	
Total Collections	\$4,033,437
Real Property Tax Collections	\$2,375,908
General Collections	\$1,573,994

Collections

How Should Village Officials Safeguard Collections?

Collections should be adequately accounted for and deposited intact (in the same form and amount as collected) and within 10 days of receipt.¹ A village board (board) should develop policies and procedures to provide guidance to officials and employees who receive funds to ensure that collections are secured until deposited in the bank, deposited in a timely manner and reconciled to bank statements. A well-designed set of control procedures can help prevent and/or detect theft and recordkeeping errors.

A village clerk-treasurer (clerk-treasurer) is responsible for ensuring that transactions are properly recorded and accounting records are current, complete and accurate. Also, a clerk-treasurer is required² to issue prenumbered duplicate receipts that adequately document the source, date, amount, form (i.e., cash, check or money order) and purpose of collections, when no other satisfactory evidence for audit purposes, such as a bill stub, is available. Detailed receipts help document that collections are deposited intact and in a timely manner.

The clerk-treasurer also should retain receipts, along with other adequate supporting documentation, to help ensure transactions are traceable from the point of collection to the accounting records. Village officials should periodically review receipt books and investigate any missing receipts. All copies of voided receipts should be retained. Maintaining adequate documentation, and depositing collections intact and in a timely manner, helps to reduce the risk that funds could be lost, misused or misappropriated without detection.

To adequately safeguard collections, a board should segregate incompatible financial duties so that one individual is not responsible for all phases of a transaction. Key duties – such as recordkeeping, preparing and making deposits and performing bank reconciliations – should be segregated. If it is not practical to segregate duties, the board is responsible for implementing compensating controls to routinely review and monitor the work of employees who have incompatible financial duties to ensure that money is properly accounted for.

Officials Did Not Always Record and Deposit Collections in a Timely Manner

We reviewed 922 collections³ totaling \$1,410,755 from June 1, 2022 through August 31, 2022 and September 1, 2023 through November 30, 2023 to determine whether collections were deposited intact and in a timely manner. We determined that officials did not ensure that collections were properly recorded and deposited in a timely manner, as follows:

- We could not determine whether 358 real property tax collections totaling \$537,175 were deposited or recorded in a timely manner because the collections were not dated. The tax bill stubs that were used as receipts were either not retained, or were retained but not date stamped to document when collections occurred.

¹ Village Law section 4-408 requires the treasurer to deposit collections in the bank within 10 days.

² General Municipal Law Section 99-b

³ Village collections include payments of real property tax, recreation fees (beach storage, mooring and tennis permits) and building department fees. Refer to Appendix B for further information on our sample selection.

- 72 receipts totaling \$238,032 did not indicate the form of payment (cash, check or money order). Receipts must list the form of payment so that officials can determine whether deposits are made intact.
- 69 collections totaling \$57,426 were recorded between 11 and 81 days after they were received. Recording entries for collections as soon as possible decreases the risk of collections not being recorded, being recorded incorrectly or being misappropriated.
- 48 collections totaling \$53,722 were deposited between 11 and 39 days after they were received.⁴ When money remains undeposited, it increases the risk of loss or theft.

All untimely deposits and recording of collections occurred during the September 1, 2023 through November 30, 2023 time period (Figure 1) when the Village was without a Clerk-Treasurer.

Figure 1: Collections

	Jun-Aug 2022	Sep-Nov 2023	Totals
Payment Form Not Indicated on Receipt	\$176,203	\$61,829	\$238,032
Not Deposited in a Timely Manner	\$0	\$53,722	\$53,722
Not Recorded in a Timely Manner	\$0	\$57,426	\$57,426
Timeliness of Real Property Tax Deposit Could Not Be Determined	\$499,179	\$37,996	\$537,175

These discrepancies occurred, in part, because the Board did not adopt written collection policies and procedures to provide guidance to employees who collected, recorded and deposited collections. Also, the Board did not segregate the Clerk-Treasurer's duties (receiving, depositing and recording all collections) or review her work. When one person receives all collections, enters the collections into the accounting system and deposits them in the bank, the Village has an increased risk that errors or misappropriations could occur with the processing of collections without detection.

Officials Did Not Maintain Complete Records and Properly Record and Collect Fees

The Village's building department issued permits to residents seeking to build, alter or repair their home and/or rent their home. Building permit application fees were \$125 and rental permit application fees were either \$250 or \$400. Building permit fees varied and were based on the work being done.

The building department used permit tracking software that generated permit numbers in sequential order. While the building department clerk (clerk) entered identifying information, such as the property address, into the system, the clerk did not enter the amounts of the building permit fees. After work was completed, residents were required to submit final paperwork, apply for a certificate of occupancy (CO) and pay a \$125 fee.

The Board did not develop policies and procedures to provide guidance to officials and employees for properly maintaining records and collecting and recording collections. We reviewed a list of 145 building permits that were issued during our audit period and identified that eight permit files had been

⁴ See supra, note 1.

deleted from the system. The clerk was able to restore four of the permit records with assistance from the software vendor. The clerk told us that the four permits expired without work being done and that another permit, which also could not be fully restored, had expired with no work performed. However, because the corresponding files were discarded, the clerk could not provide us with documentation to support these claims. When permits are deleted and supporting documentation is not properly maintained, the Village has an increased risk that funds could be lost, misused or misappropriated without detection.

During our review of the list of building permits, we selected and reviewed 18 permits with fees totaling \$54,565, which consisted of various types of alterations and/or repairs. When a resident completes the repairs or alterations indicated on a building permit, the resident must apply for a CO to close the permit. Of the 18 permits, we were able to trace collections for 17. However, officials could not provide us with a receipt for one CO fee that should have been collected for the closed permit. The clerk told us that there was no receipt because they do not charge an application fee for COs when the building permit is for limited work. However, this “limited work” was not defined in Village code, and waiving a fee for limited work was not approved by the Board. In addition, no documentation existed to show that the CO fee was collected, but unaccounted for, or whether the fee was waived.

We also reviewed rental permit collections totaling \$30,900 and identified 24 transactions totaling \$9,500 that were recorded in the wrong account code. The recording errors primarily occurred during the time when the Clerk-Treasurer position was vacant.

In addition, if a residence was rented without obtaining a rental permit, the Village charged a \$600 fee for being in violation of Village code.⁵ During our audit period, there were three applicants who had violations. Two were charged the application fee plus \$600, and one was charged the \$600 violation fee but not the application fee. No one at the Village, including the building inspector and clerk, could explain why the proper fee was not charged.

Furthermore, because officials did not independently and routinely review and reconcile the work performed by building department employees, these errors and irregularities were not detected. When collections are not properly accounted for, and officials do not review the work of those who process collections, the Village has an increased risk that funds could be lost or stolen without detection.

Furthermore, we reviewed collections and corresponding records (applications and the sticker inventory) for recreation fees collected for beach storage, mooring fees and tennis permits totaling \$39,275 to determine whether employees properly accounted for these collections. We identified minor discrepancies in the records supporting recreation fees, which we discussed with officials. However, officials did not routinely review and reconcile these collections to ensure records were accurate and complete.

⁵ Village Code 163-79 states that “no owner shall cause, permit or allow the occupancy or use of a dwelling unit as a rental property without a valid rental permit.”

When the Board does not adopt written policies or ensure adequate procedures have been implemented, and the employees charged with enforcing and processing collections do not collect all fees or record fees accurately, the Village has an increased risk that funds could be lost, misused or misappropriated.

What Do We Recommend?

The Board and Village officials should:

1. Adopt written policies and procedures for collecting and accounting for collections.
2. Adequately segregate key financial duties or implement mitigating controls, such as increasing supervisory review and assigning someone who is independent of the collection process to periodically reconcile receipt activity.
3. Ensure that there is a complete and accurate record of collections.

The Clerk-Treasurer should:

4. Deposit all collections in a timely manner in accordance with the Village Law.
5. Maintain accurate accounting records for all transactions including building department collections, and issue prenumbered duplicate receipts for collections that include the date, purpose and payment form (cash, check or money order) when no other documentation to support the collection exists.
6. Retain and date stamp tax bill stubs when they are used to document collections (i.e., when a receipt is not issued).

The building inspector should:

7. Ensure that issued building permits are not deleted from the system and that file records contain applications and adequate documentation.
8. Ensure that all fees are adequately supported and charged in accordance with Village code.

Appendix A: Response From Village Officials

Village of North Haven

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November 13, 2024

Unit Name: Village of North Haven
Audit Report Title: Collections, Report of Examination
Audit Report Number: 2024M-99

Dear Mr. McCracken,

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

The Board and Village officials should:

1. Adopt written policies and procedures for collecting and accounting for collections.

Implementation Plan of Action(s)

The Village agrees that the accounting policy must be updated to include written policies and procedures for collecting and accounting for collections. The Board and Village Clerk-Treasurer will work together to update the accounting policy to ensure that collections are processed and recorded properly in accordance with Village Law. We expect to plan to have the policy in place by January 31, 2025.

2. Adequately segregate key financial duties or implement mitigating controls, such as increasing supervisory review and assigning someone who is independent of the collection process to periodically reconcile receipt activity.

Implementation Plan of Action(s)

The Village agrees that key financial duties were not adequately segregated during the previous Village Clerk's absence from June 21, 2023, until her passing on August 14, 2023, and until additional employees were appointed on September 27, 2023, and November 15, 2023.

However, the key financial duties have been adequately segregated since November 2023.

The full-time Building Department Clerk/Administrative Assistant and part-time Office Assistant continue to issue receipts.



SETTLED OUT EAST ON LONG ISLAND IN 1665 AND INCORPORATED IN 1932

The new Village Clerk-Treasurer, appointed on November 15, 2023, is responsible for entering the receipts and deposits in the accounting software and depositing the funds in the bank.

The part-time Financial Aid, appointed on September 27, 2023, provides additional oversight by reconciling the deposits to the bank reconciliations.

However, there are times when it can be difficult to segregate these duties, as the small staff consists of two (2) full-time employees and two (2) part-time employees who are involved in the collection process.

3. Ensure that there is a complete and accurate record of collections.

Implementation Plan of Action(s)

The Village Clerk-Treasurer reconciles the receipt activity to the deposits, and the Financial Aid reconciles the deposits to the bank statement to ensure that there are complete records of collections.

As an additional control, the Board of Trustees will be provided with the receipt books monthly to verify no discrepancies exist.

The Clerk-Treasurer should:

4. Deposit all collections in a timely manner in accordance with Village Law.

Implementation Plan of Action(s)

The Board appointed a new Village Clerk-Treasurer on November 15, 2023; since then, all deposits have been made within 10 days per Village Law.

5. Maintain accurate accounting records for all transactions including building department collections, and issue prenumbered duplicate receipts for collections that include the date, purpose and payment form (cash, check or money order) when no other documentation to support the collection exists.

Implementation Plan of Action(s)

The village utilizes triplicate receipts for its transactions. The building department previously implemented an Excel spreadsheet to verify that the building permit fee initially calculated by the Building Inspector is accurate, providing additional oversight. Last week, the Building Department Clerk/Administrative Assistant updated the spreadsheet to include all fees related to an application submitted for a project, beginning with the application fee and continuing throughout the project until its completion to ensure all fees have been collected and recorded.

On April 24, 2024, the Office of the State Comptroller (OSC) auditors informed the Village Clerk-Treasurer that their audit revealed certain receipts were missing details regarding the purpose of the payment and the payment method. At that time, village personnel were reminded to ensure that the date, purpose of payment, the form of payment, and the check number (when

applicable) are recorded on all triplicate receipts. This will ensure the village maintains accurate accounting records for all transactions when no other supporting documentation exists.

6. Retain and date stamp tax bill stubs when they are used to document collections (i.e., when a receipt is not issued).

Implementation Plan of Action(s)

Since April 24, 2024, when the OSC auditors informed the Village Clerk-Treasurer that their audit revealed tax payments receipted in the village office were not retained and date stamped, personnel were notified to ensure that tax bill stubs and envelopes, if they have been mailed, are maintained and date stamped to document tax collections. This documentation is then attached to the reports generated by the tax program, [REDACTED].

The building inspector should:

7. Ensure that issued building permits are not deleted from the system and that file records contain applications and adequate documentation.

Implementation Plan of Action(s)

The deletions mentioned occurred during the migration process from the previous server-based [REDACTED] program to the newly implemented cloud-based [REDACTED] software. The new software, [REDACTED] was implemented on November 27, 2023, which prevents permits from being deleted from the system. Since April 24, 2024, when the OSC auditors informed the Village Clerk-Treasurer that their audit revealed file records did not contain applications and adequate documentation, personnel were notified that the building department must retain all documents/files.

8. Ensure that all fees are adequately supported and charged in accordance with Village code.

Implementation Plan of Action(s)

The Board of Trustees is analyzing all fees and will discuss them over the next few months. This will provide building department personnel with clarity to ensure that all fees are adequately supported and charged in accordance with the Village code or by Resolution.

Our implementation plan is detailed and comprehensive, designed to demonstrate the actions that have occurred or are planned. We believe this level of detail will provide reassurance about the thoroughness of our approach to addressing the audit recommendations.

We want to express our sincere gratitude to the Office of the New York State Comptroller for their valuable suggestions and the consideration the examiners showed our small staff through their willingness to answer questions and offer suggestions. Their insights have been instrumental in our ongoing efforts to improve our accounting procedures, and we are committed to continuing this improvement.

Signed:

Chris Fiore
Mayor

11/15/24

Date

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. 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 interviewed Village officials to gain an understanding of the Village's process for collecting, depositing and recording collections.
- We reviewed collection data for our audit period to determine whether there were any gaps in the receipt sequence and requested explanations for any discrepancies identified.
- We reviewed a sample of six months (June through August 2022 and September through November 2023) of collections to determine whether the collections had been recorded and deposited in a timely manner. We chose these time periods to include the first three and last three months of our audit period. We also reviewed bank statements and deposit slips generated for these months to determine whether the deposits were accurate, intact and made in a timely manner.
- We reviewed a list of building permits to determine whether there were any gaps in the number sequence and requested explanations for any discrepancies identified. During our review of the building permits, we examined 18 building permit files (one permit from each month of our audit period) to determine whether fees were properly collected, recorded and deposited. We used our professional judgment to choose each permit by alternating between the permits' open and closed status each month and to include various types of building, alteration, or repair permits.
- We reviewed all collections for rental permits and recreation permits and stickers (beach storage, mooring and tennis permits) to determine whether the collections were properly accounted for and deposited.

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 C: 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

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