



Village of Riverside

Clerk-Treasurers' Records and Reports

2024M-107 | November 2024

Contents

- Report Highlights 1**

- Clerk-Treasurers’ Records and Reports 2**
 - How Should a Clerk-Treasurer Record Financial Transactions? 2
 - The Clerk-Treasurers Did Not Accurately and Timely Record Financial Transactions. . . . 2
 - Reports Were Not Filed Timely or Accurately 4
 - What Do We Recommend? 5

- Appendix A – Response From Village Officials 7**

- Appendix B – OSC Comment on the Village’s Response 11**

- Appendix C – Audit Methodology and Standards 12**

- Appendix D – Resources and Services 14**

Report Highlights

Village of Riverside

Audit Objective

Determine whether the Village of Riverside (Village) Clerk-Treasurers prepared and maintained complete, accurate and timely accounting records and reports.

Key Findings

The former and current Clerk-Treasurers did not prepare or maintain complete, accurate or timely accounting records and reports. As a result, the Board of Trustees' (Board's) ability to make informed financial decisions was inhibited because the Village's true financial position was unknown.

- The Clerk-Treasurers did not record investment transactions and interest and all interfund transfers, improperly recorded receipts, disbursements and budget transfers, and did not record water and sewer account adjustments and the re-levy of unpaid water and sewer charges to the control accounts.
- The current Clerk-Treasurer did not file the required Annual Financial Report (AFR) for the last four fiscal years and the current AFR was overdue as of August 9, 2024.
- The Clerk-Treasurers did not file periodic payroll reports or remit withholdings timely to the Internal Revenue Service (IRS) or the New York State Department of Taxation and Finance (NYSDTF), which could result in the Village paying fines and penalties.

Recommendations

The audit report includes 11 recommendations that, if implemented, will improve the Clerk-Treasurer's ability to prepare complete and accurate accounting records and reports in a timely manner.

Village officials generally agreed with our findings and indicated they will initiate corrective action. Appendix B includes our comment on an issue raised in the response.

Audit Period

June 1, 2019 – August 9, 2024

Background

The Village is located in the Town of Corning in Steuben County. The Village is governed by an elected Board, composed of four Trustees and a Mayor. The Board is responsible for the general management and control of the Village's financial affairs.

The Mayor is the Village's chief executive officer responsible for the day-to-day management of the Village under the Board's direction.

The Board-appointed Clerk-Treasurer is the chief fiscal officer of the Village responsible for custody and accounting of all Village money.

The former Clerk-Treasurer was employed from June 2019 through March 2020 and the current Clerk-Treasurer was hired in April 2020.

Quick Facts

Population	497
------------	-----

2024-25 Appropriations for All Funds	\$503,224
--------------------------------------	-----------

Delinquent AFRs as of August 9, 2024

Fiscal Years	Days Late
--------------	-----------

2019-20	1,470
---------	-------

2020-21	1,105
---------	-------

2021-22	740
---------	-----

2022-23	375
---------	-----

2023-24	9
---------	---

Clerk-Treasurers' Records and Reports

How Should a Clerk-Treasurer Record Financial Transactions?

The board-appointed clerk-treasurer's financial records and reports must be complete, accurate and up to date to be useful for managing village operations. The clerk-treasurer is responsible for performing basic accounting functions, including maintaining accounting records and providing financial reports to the board and outside entities. The board must ensure the clerk-treasurer maintains reliable records and reports and have an annual audit conducted of the clerk-treasurer's records.

New York State Village Law¹ requires the clerk-treasurer to keep a complete and accurate account of the receipt and disbursement of all money using proper accounting procedures. The accounting records should accurately reflect the village's financial operations and condition. To ensure that financial transactions are complete and accurate, the clerk-treasurer should perform monthly bank-to-book cash reconciliations to ensure the accuracy of cash balances in her accounting records. Any differences found during the reconciliation process should be promptly documented and resolved.

In addition, New York State General Municipal Law² requires the clerk-treasurer to issue duplicate press-numbered receipts where no other evidence of collection (i.e., a water and sewer billing stub) is available, and a copy retained in support of the collection. The clerk-treasurer should also ensure all water and sewer rents and penalties are appropriately and accurately charged per local law, collected, recorded and deposited, and that any adjustments to customers' bills are properly authorized by the board and documented. In addition, the clerk-treasurer should periodically conduct independent reconciliations of receivable control accounts³ to individual customer account records for water and sewer charges to help detect errors or irregularities.

The clerk-treasurer should submit monthly financial reports that summarize receipts and disbursements for each fund. These reports should also include budget-to-actual comparisons of revenues and expenditures for each fund and a balance sheet report of reconciled cash balances.

The clerk-treasurer is required to file a village's AFR with OSC within 60 days after the close of the fiscal year, unless the clerk-treasurer applies for a 60-day extension.⁴ The clerk-treasurer, who prepares payroll, is responsible for preparing accurate and timely payroll reports. This includes submitting quarterly reports by the last day of the month that follows the end of the quarter and remitting federal tax withholdings by the following Wednesday and State tax withholdings by the following Tuesday of a payroll period. All of these reports depend on accurate and timely accounting records.

The Clerk-Treasurers Did Not Accurately and Timely Record Financial Transactions

We reviewed various financial records and transactions including receipts and disbursement records and bank statements (see Appendix C for further details) and determined the Clerk-Treasurers did not prepare adequate or maintain accurate and timely accounting records. The Clerk-Treasurers:

1 Section 4-408

2 Section 99-b

3 A receivable control account summarizes total billings and collections, account adjustments and unpaid balances for all customer accounts.

4 General Municipal Law Section 30

-
- Did not record investment transactions and interest and all interfund transfers. For example, the Clerk-Treasurers did not record interest totaling \$32,582 earned on short-term investment accounts. Instead of correcting these errors, which were evident in monthly financial reports, they continued to carry forward inaccurate balances in the accounting records that did not agree with the bank and investment statements (see Figure 1).
 - Improperly recorded receipts and disbursements and inaccurately recorded opening account balances at the beginning of each new fiscal year.
 - Errantly recorded budget modifications (transfers of available appropriations between budget lines) in the accounting module instead of in the budget module of the computerized accounting software. This resulted in improperly recorded increases or decreases to actual expenditure amounts, instead of to the budgeted amounts, and a lack of accurate budget-to-actual information to use in developing realistic future budgets. While the Board approved 76 percent of the budget modifications requiring board approval, Board members did not review for or notice the discrepancies or inappropriate budget modifications in the Clerk-Treasurer's subsequent monthly budget-to-actual reports.
 - Did not record customer water and sewer account adjustments and the re-levy of unpaid water and sewer charges to the control accounts. They also did not adequately document justification for or approval of water and sewer account adjustments and did not transfer \$13,500 in re-levied water and sewer bills collected through real property taxes and deposited in the general fund bank account to the water and sewer bank accounts. The current Clerk-Treasurer also recorded duplicate revenues and disbursement transactions and did not always timely record water and sewer billings and payments.
 - Did not issue duplicate receipts, unless requested, and did not retain water/sewer bill stubs to support their collections or retain post-marked envelopes to support billing adjustments made to reverse penalty charges for late payments that were mailed prior to the due date. While we performed two months of deposit composition tests and identified no material findings, we were unable to determine whether all money was deposited timely.
 - Did not ensure the accounting software correctly assessed penalties on overdue water and sewer bills in accordance with the related Village local laws because the Board did not adopt written policies and procedures guiding billing, collecting and enforcing water and sewer charges.
 - Did not maintain records to ensure payroll withholdings were remitted to the appropriate parties because the current Clerk-Treasurer stopped recording entries in July 2021 and did not reconcile the payroll bank account.

As a result of these errors, the Village's true financial position was unknown, which inhibited the Board's ability to make informed financial decisions. We recalculated certain account balances to demonstrate the cumulative effect of the numerous accounting and recording errors (Figure 1).

Figure 1: Account Balances as of January 31, 2024

Account	Per Accounting Records	OSC Calculated	Overstated (Understated)
General Fund			
Cash	\$678,172	\$706,331	(\$28,159)
Real Property Tax Accounts Receivable	(900)	0	(900)
Investments in Securities	1,747,109	1,169,124	577,985
Total Assets	\$2,424,381	\$1,875,455	\$548,926
Liabilities	4,410	4,410	0
Unassigned Fund Balance	2,419,971	1,871,045	548,926
Total Liabilities and Fund Balance	\$2,424,381	\$1,875,455	\$548,926
Water Fund			
Cash	\$50,821	\$52,121	(\$1,300)
Water Rents Receivable	11,589	18,993	(7,404)
Total Assets	\$62,410	\$71,114	(\$8,704)
Assigned Unappropriated Fund Balance	62,410	71,114	(8,704)
Total Liabilities and Fund Balance	\$62,410	\$71,114	(\$8,704)
Sewer Fund			
Cash	(\$361,922)	\$89,873	(\$451,795)
Sewer Rents Receivable	53,631	22,134	31,497
Total Assets	(\$308,291)	\$112,007	(\$420,298)
Reserve for Encumbrances	16,380	0	16,380
Assigned Unappropriated Fund Balance	(324,671)	112,007	(436,678)
Total Liabilities and Fund Balance	(\$308,291)	\$112,007	(\$420,298)

Although the Board was aware that the cash balances listed on the monthly reports were inaccurate, Board members did not ensure the errors were corrected or obtain financial training or assistance for the Clerk-Treasurers when errors and inaccuracies were identified. Furthermore, the Board did not conduct the required⁵ annual audit that may have identified the other accounting errors.

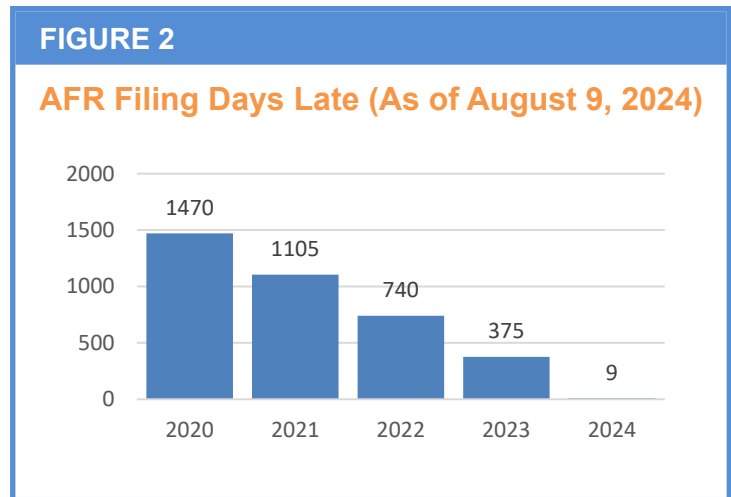
Reports Were Not Filed Timely or Accurately

Due to the Clerk-Treasurers' inaccurate accounting records, the monthly trial balances and budget-to-actual reports presented to the Board were also inaccurate. In addition, the current Clerk-Treasurer did not file the required AFR for the last four fiscal years and the current AFR is overdue. As of August 9, 2024, these reports ranged from 1,470 to nine days overdue (Figure 2).

⁵ Pursuant to Village Law Section 4-408(e)

The current Clerk-Treasurer stated she was unsure how to use the annual reporting software and stated that all the numbers were not matching up and, therefore, did not file any AFRs.

In addition, both Clerk-Treasurers did not file periodic payroll reports or remit withholdings timely to the IRS or NYSDTF, which could result in the Village paying fines and penalties. We selected 16 of the 21 quarterly IRS and NYSDTF payroll reports filed during the audit period for review; however, two of the reports were unavailable. Five of the remaining 14 reports were filed between 85 and 176 days late.



These accounting and reporting inaccuracies prevented the Board from making informed financial decisions and increased the risk of loss or unauthorized use of Village funds. Significant accounting errors and misappropriations of funds, which we identified in our previous audit, can go undetected when significant cash balances are available. The Board should take greater effort to implement sufficient internal controls and monitoring procedures to safeguard the Village's sizeable general fund balance, which was approximately \$1.9 million as of January 31, 2024 (631 percent of its \$297,304 general fund budgeted appropriations for 2023-24).

What Do We Recommend?

The Clerk-Treasurer should:

1. Maintain accurate and timely accounting records and reports and ensure their accuracy by preparing proper bank reconciliations and reconciling water and sewer control accounts to the total of the individual customer account balances. Any discrepancies should be investigated and resolved immediately.
2. Record approved budget modifications in the budget module of the computerized accounting software.
3. Issue duplicate receipts for all money collected for which no other evidence documenting receipt (e.g., press numbered receipts) is available and retained.
4. Ensure water and sewer penalties are correctly assessed per local laws and any billing adjustments are Board approved and supported.

-
5. Provide accurate monthly budget-to-actual comparisons of revenues and expenditures for each fund and balance sheet reports of reconciled cash balances to the Board.
 6. File the AFR and payroll reports in a timely manner.

The Board should:

7. Establish written policies and procedures to provide adequate guidance for billing, collecting and enforcing water and sewer charges.
8. Ensure all adjustments made to water customer accounts are reviewed and approved.
9. Annually audit the books and records of the Clerk-Treasurer as required.
10. Ensure the Clerk-Treasurer files the AFR and payroll reports in a timely manner.
11. Provide municipal accounting training or assistance to the Clerk-Treasurer.⁶

⁶ <https://www.osc.ny.gov/local-government/academy/osc-government-accounting-schools>

Appendix A: Response From Village Officials



Stephanie Howes, Chief Municipal Audits
Division of Local Government
And School Accountability

12 November 2024

Dear Ms. Howes,

I appreciate having had the opportunity to review the Report of Examination with the auditing staff following the *Clerk-Treasurers' Records and Reports* for the period of June 1, 2019 thru August 9, 2024.

We accept the draft report. Further we are pleased to know that the OSC audit found no significant exceptions or instances of fraud or abuse. The Draft Report listed eleven (11) recommendations for the Board's review and action taken to correct discrepancies. Policies will be developed based on "best practices" for a village office to implement the following corrective actions:

See
Note 1
Page 11

1. Recommendation #1:

Maintain accurate and timely accounting records and reports and assure their accuracy by preparing proper bank reconciliations and reconciling water and sewer control accounts to the total of the individual customer account balances. Any discrepancies should be investigated and resolved immediately.

Corrective action:

The Board has designated a "Audit Board" of two board members who will audit and oversee the monthly bank reconciliations and that of the water and sewer accounts. This process has been initiated.

2. Recommendation #2:

Record approved budget modifications in the budget module of the computerized accounting software.

Corrective action:

Village has hired [REDACTED] an auditing firm proficient in municipal accounting practices to instruct and assist the Clerk-Treasurer in the proper recording procedures.

3. Recommendation #3:

Issue duplicate receipts for all money collected for which no other evidence documenting receipt is available and retained.

Corrective action:

The Clerk-Treasurer will use "press numbered" receipts and/or triplicate documents to record hall rental receipts.

4. Recommendation #4:

Ensure water and sewer penalties are correctly assessed per local law and any billing adjustments are Board approved and supported.

Corrective action:

All adjustments to water-sewer billing are to be approved by board resolution prior to adjustment(s) being made. This has been implemented.

Computerized accounting software will be reprogrammed to accurately assess penalties to the billing cycle. Further, a local law will be enacted to ensure that the penalties for water and sewer will be calculated on the same formula.

5. Recommendation #5:

Provide accurate monthly budget-to-actual comparisons of revenues and expenditures for each fund and balance sheet reports of reconciled cash balances to the Board.

Corrective action:

The Clerk-Treasurer will provide the balance sheet reports that indicate the reconciled cash balances to the Board. Further, the Audit Board will review the reconciled cash balance reports prior to the monthly board meeting and report same to the board.

6. Recommendation #6:

File the AFR and payroll reports in a timely manner.

Corrective action:

The Clerk-Treasurer will be diligent in filing the required reports in a timely manner. Corrective action is underway to file the AFR for 2023-2024 to bring that to correct the delinquency. Future years AFR reporting will be filed pursuant Municipal Laws. Previous years will remain delinquent with knowledge that the Village of Riverside will remain on the delinquency list.

7. Recommendation #7:

The Board should establish written policies and procedures to provide adequate guidance for billing, collecting and enforcing water and sewer charges.

Corrective action:

The Board will review the policy and procedure manual to include detailed procedures to be followed for billing, collecting and enforcing water and sewer charges to guide Clerk-Treasurer and Deputy Clerk-Treasurer in performing this aspect of their duties.

8. Recommendation #8:

Ensure all adjustments made to water customer accounts are reviewed and approved.

Corrective action:

The board will provide guidance to the Clerk-Treasurer for making adjustments, i.e. no adjustments will be made without resolution by the Board. This action has already been put in place with specific guidelines for any adjustments.

9. Recommendation #9:

Annually audit the books and records of the Clerk-Treasurer as required.

Corrective action:

The Board has designated an "Audit Board" to be responsible for monthly audits of Clerk-Treasurer records and to confirm reconciliation of all financial transactions. Further, the same committee will audit annually and report to the Board.

10. Recommendation #10:

Ensure the Clerk-Treasurer files the AFR and payroll reports in a timely manner.

Corrective action:

The Audit Board will monitor and ensure the required reports specified in *Recommendation #6* will be filed in a timely manner.

11. Recommendation #11:

Provide municipal accounting training or assistance to the Clerk-Treasurer.

Corrective action:

The present Clerk-Treasurer has attended a recent OSC introduction to government accounting and is currently being guided by the [REDACTED] firm as stated under Recommendation #2. The deputy Clerk-Treasurer is also under the tutelage of [REDACTED] as needed until she can attend the first available introduction to government accounting being offered in March of 2025.

Appendix B: OSC Comment on the Village's Response

Note 1

The audit objective focused on the Clerk-Treasurers' accurate and timely preparation of accounting records and reports. The audit team assessed the risk of fraud occurring that is significant within the context of this audit objective, as required by generally accepted government auditing standards. Therefore, these audit results cannot be used to conclude there is no fraud, theft or professional misconduct in the Village's operations.

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 interviewed Village officials responsible for financial oversight and maintaining accounting records and reviewed Board meeting minutes to obtain an understanding of the Village's policies, procedures and financial reporting.
- We reviewed the Village's financial records and compared them to bank statements to determine whether all receipts and disbursements were recorded from June 1, 2019 through January 31, 2024.
- We reviewed all bank account withdrawals and transfers totaling approximately \$3.5 million to determine whether they were appropriate for the period of June 1, 2019 through January 31, 2024.
- We obtained account balances for the water and sewer customers' accounts from the Village's software to determine the account receivable balances as of January 31, 2024.
- We traced general revenue collections for the period of June 1, 2019 through January 31, 2024 from various source documentation to bank statements to determine whether revenues were deposited. We also used a software program to randomly select two consecutive months, April and May 2021, and obtained deposit compositions to determine whether deposits were made intact and timely.
- We compared water and sewer billings, adjustments, penalties and final bills to water and sewer deposits for the period of July 1, 2019 through January 19, 2024 to determine whether water and sewer revenues were deposited.
- We determined whether the accounting software correctly assessed penalties on overdue water and sewer bills in accordance with the related Village local laws by reviewing the penalties assessed in February 2023.
- To determine whether budget modifications were timely and approved by the Board, we reviewed Board meeting minutes.
- We obtained the AFRs' filing dates for the last four completed fiscal years to determine whether they were filed in a timely manner.
- We selected all IRS and NYSDTF quarterly reports for the period June 1, 2019 through September 30, 2023 to determine whether periodic payroll reports and withholding deposits were filed in a timely manner and accurate.

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

ROCHESTER REGIONAL OFFICE – Stephanie Howes, Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties

[osc.ny.gov](https://www.osc.ny.gov)

