



Village of Earlville

Collections

2024M-128 | January 2025

Contents

- Report Highlights 1**

- Collections 2**
 - How Should a Village Clerk-Treasurer Record and Deposit Collections? 2
 - The Clerk-Treasurer Did Not Always Record and Deposit Collections in a Timely Manner 2
 - What Do We Recommend? 4

- Appendix A – Response From Village Officials 5**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services 9**

Report Highlights

Village of Earlville

Audit Objective

Determine whether the Village of Earlville (Village) Clerk-Treasurer recorded and deposited all collections accurately and in a timely manner.

Key Findings

Although the Clerk-Treasurer accurately recorded collections that we reviewed in the central accounting records, she did not always deposit collections in a timely manner. We also identified that staff in the Clerk-Treasurer’s office did not routinely issue duplicate receipts or maintain a collection log or cash receipts journal showing a description of each transaction.

Of the 296 collections totaling \$302,050 that we reviewed, nine collections totaling \$77,705 did not have a receipt date documented in the records. Therefore, we could not determine whether the collections were deposited in a timely manner. Of the remaining 287 collections, the Clerk-Treasurer did not deposit 132 collections (46 percent) totaling \$77,093 in a timely manner. New York State Village Law (Village Law) Section 4-408(b) requires collections to be deposited within 10 days of receipt. Without detailed receipt records and timely deposits, the Village has an increased risk that funds could be lost or misappropriated without detection.

Recommendations

The audit report includes six recommendations that, if implemented, will improve the Village’s collection process and Board oversight of collections.

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

Audit Period

June 1, 2023 – August 8, 2024

Background

The Village is located in the Towns of Hamilton in Madison County and Sherburne in Chenango County and is governed by an elected Board. The Board includes four Trustees and a Mayor and 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, which include collecting, recording and depositing real property tax receipts, water rents and other Village revenues. An office assistant helps the Clerk-Treasurer collect revenues on a part-time basis.

Quick Facts

Village Population	774
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June 1, 2023 – May 31, 2024

Total Deposits	\$845,713
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Collections Reviewed	296
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Amount of Collections Reviewed	\$302,050
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Collections

How Should a Village Clerk-Treasurer Record and Deposit Collections?

A village clerk-treasurer (clerk-treasurer) is responsible for ensuring that transactions are properly recorded and accounting records are current, complete and accurate. All collections should be recorded immediately upon receipt in a cash receipts journal and held in a secure location until the funds are deposited. Maintaining a chronological record of collections is crucial for accountability and audit purposes. Recorded collections should include a description of the transaction, the amount, date of receipt, form of payment and the name of the individual who received the collection.

Also, the clerk-treasurer must comply with Village Law Section 4-408(b) which requires collections to be deposited within 10 days of receipt. In addition, the clerk-treasurer is required by New York State General Municipal Law Section 99-b to issue prenumbered duplicate receipts when no other satisfactory evidence is available for audit purposes.

Strong and effective internal controls require timely recording and depositing of all collections and effective monitoring by a village board (board). This becomes even more important when the clerk-treasurer manages nearly all aspects of the collection process, including collecting, recording and depositing collections. The concentration of duties within one individual is a significant internal control risk. To reduce this risk, the board should properly segregate financial activities and responsibilities when possible. When it is impractical to segregate duties due to limited staffing, the board should provide increased monitoring of the collection process.

The Clerk-Treasurer Did Not Always Record and Deposit Collections in a Timely Manner

We reviewed 296 general and water fund collections totaling \$302,050 to determine whether the Clerk-Treasurer accurately recorded and deposited collections in a timely manner.¹ The collections included 213 general fund collections totaling \$292,242 that were received from June 2023 through May 2024 and 83 water fund collections totaling \$9,808 received from September through December 2023.

We determined that the Clerk-Treasurer recorded all the reviewed collections in the central accounting records and deposited the funds intact.² However, nine collections totaling \$77,705 did not have a duplicate receipt on file and no receipt date was documented in the supporting records, which prevented us from determining whether these collections were recorded and deposited in a timely manner. Of the remaining 287 collections, the Clerk-Treasurer deposited 132 collections (46 percent) totaling \$77,093 in the bank an average of 13 days late.

The Clerk-Treasurer told us that deposits were not always made in a timely manner because she was the only individual who made the deposits, and she did not always make a trip to the bank for small collections. When collections are not deposited in a timely manner, in accordance with Village Law, the Village has an increased risk that loss or theft can occur.

1 Refer to Appendix B for further information on our sample selection.

2 In the same order or form (cash or check) in which they were received

Of the 296 collections, we reviewed a sample of overdue real property tax payments and water rent collections to determine whether the Clerk-Treasurer assessed correct penalties and whether she properly recorded and deposited the penalties when paid. We also reviewed various adjustments that the Clerk-Treasurer made that reduced the amount due for water customer accounts to determine whether the Board had approved the adjustments.³ We identified minor discrepancies that we discussed with officials.

Also, the Clerk-Treasurer did not maintain a detailed chronological cash receipts journal to record all collections at the time they were received. Although the Clerk-Treasurer entered receipts in the central accounting records, the receipts were recorded by the deposit date, not the date that the collections were received. In addition, some receipts were combined together when entered into the accounting records, rather than recorded individually, so there was not a clear audit trail from receipts to deposits.

Based on our observations of the current records, we identified that the part-time office assistant maintained detailed collection logs for water rents and real property tax revenues. However, she told us that these logs were discarded after each collection cycle. Without detailed transaction records, the Board cannot trace all individual collections through the records and ensure that they have been deposited in the bank.

In addition, although the Village had a duplicate receipt book, it was not regularly used. For example, we identified eight receipts that were recorded in the duplicate receipt book for the 2023-24 fiscal year. Based on our review of the 296 collections, we identified at least 47 collections totaling approximately \$5,140 for which duplicate receipts should have been issued. When we informed the Clerk-Treasurer and office assistant of this deficiency, they began routinely recording collections in the duplicate receipt book.

Furthermore, the Board did not conduct or contract for an annual audit of the Clerk-Treasurer's Annual Financial Report (AFR) and supporting records, as is required by Village Law Section 4-408(e).⁴ As a result, the Board did not ensure that all transactions were recorded properly and the Village's financial records were current and complete.

The Mayor told us that the Board thought that the third-party accountant (used by the Village to perform agreed upon procedures) was sufficient. The accountant's procedures included performing annual and quarterly reviews of the Clerk-Treasurer's financial statements and bank reconciliations, assisting the Clerk-Treasurer with accounting entries and adjustments and preparing the Village's AFR. Although these procedures were helpful to the Clerk-Treasurer and provided some level of review, they did not include a review of the Clerk-Treasurer's collections and deposits and were not a sufficient substitute for conducting an annual audit of the Clerk-Treasurer's AFR and supporting records.

³ See supra, note 1.

⁴ For guidance on conducting annual audits, Board members should refer to OSC's publication *Local Government Management Guide – Fiscal Oversight Responsibilities of the Governing Board*, which can be accessed at: <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

Had the Board conducted or contracted for an annual audit of the Clerk-Treasurer's financial reports and supporting records, it may have recognized the recordkeeping deficiencies and improper depositing procedures and initiated corrective action. The Board's inadequate oversight of collections and recordkeeping contributed to the deficiencies that we identified during our audit period.

What Do We Recommend?

The Clerk-Treasurer should:

1. Deposit all collections in a timely manner.
2. Issue and retain press-numbered duplicate receipts when there is no other satisfactory evidence available for audit purposes.
3. Maintain a cash receipts journal and properly and accurately record all collections immediately upon receipt.

The Board should:

4. Ensure that the Clerk-Treasurer deposits all collections in a timely manner.
5. Segregate the Clerk-Treasurer's duties to the extent possible and/or provide adequate oversight of the Clerk-Treasurer's work.
6. Conduct an audit, or arrange for an audit, of the Clerk-Treasurer's records and reports on an annual basis.

Appendix A: Response From Village Officials

Mayor

Thomas Taylor

Trustees

John Worden

Mark Golden

Kevin Lahey



Village Justice

Henry Moore

Clerk / Treasurer

Kelly Sweet

January 4, 2024

Office of State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Dear Ms. Wilcox

On behalf of the Village of Earlville, I would like to thank your audit team for the time spent auditing the Village's records to determine whether the Village of Earlville's Clerk-Treasurer recorded and deposited all collections accurately and in a timely manner for the period from June 1, 2023 to August 8, 2024, as well as their responses to the findings and recommendations.

While I am pleased to learn that all audited cash receipts were verified as being recorded and deposited in the Village's bank accounts without exception, the Village agrees with the report's findings and recommendation that all collections be deposited in a timely manner. Though it was stated that most of the over 13-day untimely deposits consisted of Dump Card deposits and the Clerk-Treasurer advised the auditors that it was a standard practice at the time to only deposit those funds once a month as the money and reports were sent to the county, this practice was corrected immediately when brought to her attention by the auditors. Going forward, the timeliness of deposits will be verified by a Village official not involved in the cash collection and recording process.

Further, the Village agrees that duplicate pre-numbered cash receipts were not always issued and that for all monies collected, a pre-numbered cash receipt, which includes detailed records must be issued. After talking with the auditors during the audit, the Clerk-Treasurer implemented the use of pre-numbered cash receipts prior to the finish of the inhouse portion of the audit and will continue to maintain the use of going forward.

During the audit, staff from OSC provided the Village with Annual Audit documentation and procedures that can now be used to preform an Annual Audit without the services of a CPA or similarly trained professional. Had this information been known previously, the Village would have expedited the annual audit process using such documents and procedures.

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Overall, due to limited staff and segregation of duties, these internal control enhancements will provide for increased oversight over the Village Finances.

Sincerely,

Thomas Taylor
Mayor, Village of Earlville

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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 and reviewed bank statements, accounting records, adopted budgets, Village policies, the Board's meeting minutes and other information to gain an understanding of and evaluate the collection procedures for property tax receipts, water rents and general Village revenues.
- We used our professional judgment to select a sample of real property tax receipts from the 2023-24 collection period, water rents from the September 2023 water billing cycle and other general Village revenues from June 2023 through May 2024 to determine whether collections were recorded and deposited accurately and in a timely manner. Our sample included 296 general and water fund collections totaling \$302,050. We determined whether these collections were recorded and deposited intact and in a timely manner by tracing them to source documentation, deposit compositions and validated deposit slips, which we received from the Village's bank.
- For the period June 2023 through May 2024, we identified payments made to the Village from outside sources, including Chenango and Madison Counties and the State, and traced the payments through the Village's collection process. We compared recorded collections from the accounting records to available supporting documentation and traced collections to deposit compositions and validated deposit slips provided by the Village's bank to determine whether the collections were accurately recorded and deposited in a timely manner.
- We compared the 2023-24 total tax levy of \$233,530 in the adopted budget to the Chenango and Madison County tax rolls and warrants. We then compared the total tax levy to the total collections recorded in the Village's accounting records and unpaid taxes sent to the counties for enforcement. We traced all recorded collections to deposits on the Village's bank statements.
- We reviewed all late real property tax payments from the 2023-24 tax collection period and used our professional judgment to select a sample of 28 water rent collections that were past due from the September 2023 billing cycle to determine whether the proper penalties were assessed, recorded and deposited accurately and in a timely manner.
- We reviewed all eight adjustments made to water customer accounts (from September 1, 2023 through December 31, 2023) that decreased the original billed amount to determine whether the adjustments were approved by the Board.
- We performed a cash count of the Clerk-Treasurer's undeposited funds on May 3, 2024 to determine whether amounts on hand agreed with recorded collections. We traced the funds identified in the cash count to the accounting records and bank deposits to ensure that they were recorded and deposited intact and in a timely manner.
- We interviewed Village officials to determine whether the Board conducted an annual audit of the Clerk-Treasurer's AFR and supporting records.

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

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