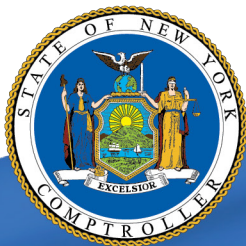


# Town of Knox

## Town Clerk

JULY 2020



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

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# Report Highlights

## Town of Knox

### Audit Objective

Determine whether the Town Clerk (Clerk) recorded, deposited, disbursed and reported all money collected timely and accurately.

### Key Findings

The Clerk did not record, deposit or disburse all money timely and accurately. The Clerk did not:

- Deposit 367 collections totaling \$22,586 (46 percent) within the required time frames.
- Report and remit collections timely and accurately. Collections were reported and remitted late to the Supervisor for 21 months of the 24 months we examined.
- Prepare accountability analyses. As of December 31, 2019 the Clerk's bank account held an unremitted cash balance of \$3,161.

The Board did not:

- Annually audit or obtain an audit of the Clerk's records and reports as required.

### Key Recommendations

- Deposit all collections timely and remit collections accurately, within required time frames.
- Ensure accountability analyses are prepared monthly, whereby known liabilities are reconciled to available cash.
- Perform an adequate annual audit of, or cause an audit of, the Clerk's records and reports.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The Town of Knox (Town) is located in Albany County and is governed by an elected five-member Town Board (Board), composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of operations and management and control of finances. The Supervisor is the chief executive officer and chief financial officer.

The elected Clerk collects fees for a variety of purposes. Generally, all fees received by the Clerk are the property of the Town, County or State and must be remitted promptly to the Supervisor and other appropriate agencies.

#### Quick Facts

Clerk Tenure	2 Years
Clerk Deposits for the Audit Period	\$53,207
2020 General Fund Appropriations	\$976,000
Population	2,692

### Audit Period

January 1, 2018 – December 31, 2019. We extended our audit period through January 21, 2020 to perform a count of the Clerk's cash on-hand.

# Town Clerk

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## How Should the Clerk Record, Deposit, Disburse and Report Collections?

The clerk is responsible for receiving, recording, depositing, disbursing and reporting all money collected for town clerk fees.<sup>1</sup> When there is no other evidence of collection (i.e., a copy of a license or permit), the clerk should issue a duplicate press-numbered receipt documenting the payer, date, purpose, amount and type of payment received (i.e., cash, check or money order) with a copy retained to support the collection.

Records and reports should be accurate and complete, and collections should be deposited intact (in the same amount and form as received) and within the appropriate time frames. Collections should be deposited as soon as possible to reduce the risk of theft or misplacement.

New York State Town Law (Town Law) requires the town clerk to deposit all money collected within three business days after total collections exceed \$250.<sup>2</sup> In addition, Town Law requires the town clerk to submit a monthly verified statement of all money received and remit such money to the Supervisor on or before the 15th of the month following receipt and must report and remit collections to other appropriate agencies.<sup>3</sup>

### The Clerk Did Not Always Deposit Collections Timely

While the Clerk generally recorded collections timely, she did not always deposit collections within the required time frames. Specifically, daily collections of cash and checks were not deposited at the same time. The Clerk deposited checks from her office using an electronic remote check deposit machine but held cash collections to deposit later.

We reviewed all 790 recorded collections totaling \$53,459 for the audit period to determine whether collections were deposited timely and intact.<sup>4</sup> Because the Clerk did not always retain duplicate deposit slips or bank deposit receipts, we obtained deposit compositions as necessary, to determine whether deposits were made intact. While proper fees were charged and collections were generally supported and deposited intact, deposits were not always made within the required time frames.

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1 Town clerk fees include, but are not limited to, money collected for copies of birth and death certificates, marriage licenses and genealogy searches; issuing marriage, dog and hunting licenses; and remittances from a transfer station, the building department and a youth council.

2 New York State Town Law, Section 30

3 Remittances due to the NYS Department of Agriculture and Markets are requested on or before the fifth day of each month and to the NYS Department of Health on or before the 15th day of each month (New York State Domestic Relations Law).

4 The Clerk's deposits totaled \$53,207 during the audit period. However, recorded collections totaled \$53,459 due to various recording and other errors discussed throughout this report.

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...Town Law requires the town clerk to submit a monthly verified statement of all money received and remit such money to the Supervisor on or before the 15th of the month following receipt...

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We found that the Clerk did not deposit 367 of these collections (46 percent) totaling \$22,586 within three business days after total collections exceeded \$250, as required. These deposits were made as many as 32 days late. Due to the use of the remote check cashing machine, checks were generally deposited as received. However, the Clerk accumulated cash for bank deposits that she made in person.

The Clerk told us that she did not deposit cash collected timely because she was unaware of the legal requirement for the timeliness of deposits. While the statutory deadline is the latest point in time at which a deposit may be made, from an internal control perspective, the best approach is to deposit money as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur.

### **The Clerk Did Not Remit Collections Accurately or Timely**

The Clerk did not accurately report and remit collections within the required time frames. We compared the Clerk's collection records to monthly Supervisor reports, duplicate deposit slips, bank deposit receipts, deposit compositions received from the bank and remotely deposited canceled checks to determine whether collections were accurately recorded, reported and remitted.<sup>5</sup> We found that the Clerk made various recording and reporting errors including unrecorded collections, an undeposited check and duplicate entries resulting in inaccurate remittances and an unremitted cash balance (Refer to The Clerk Did Not Prepare Monthly Bank Reconciliations or Accountability Analyses). For example:

- On September 12, 2019, the Clerk erroneously reported and remitted August 2018 collections totaling \$712 to the Supervisor. However the Clerk's collections for August 2019 totaled \$2,393, resulting in a \$1,681 underpayment to the Supervisor that month and contributing to the unremitted cash balance.
- On December 11, 2018, the Clerk printed the December 2018 Clerk's report and remitted \$3,127 to the Supervisor. However, eight subsequent collections were received in December 2018 and not reported and remitted, resulting in an \$830 underpayment to the Supervisor that month and contributing to the unremitted cash balance.
- In May 2018, the Clerk erroneously recorded a transfer station remittance of \$236 twice, resulting in an overpayment to the Supervisor that month.

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<sup>5</sup> Customer checks deposited through the remote check deposit machine were retained on file in the Clerk's office.

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- In February 2019, the Clerk deposited four collections totaling \$236, including three remittances from the building department and one donation, which were not recorded or remitted to the Supervisor.
  - In November 2018, the Clerk deposited \$88 in donations but did not record or remit the collection to the Supervisor.

In addition, the Clerk did not report and remit collections to the Supervisor and State agencies timely. We reviewed the 24 monthly reports to the Supervisor for our audit period and found that the Clerk did not report and remit collections by the 15th of the month following receipt for 21 months, or 88 percent. For six of these months, the Clerk reported and remitted collections more than 30 days late. The Clerk told us that she did not receive training and was not told about the monthly remittance requirement to the Supervisor.

In addition, the Clerk disbursed 19 monthly collections late to the NYS Department of Agriculture and Markets and 11 monthly collections late to the NYS Department of Health. For example, the Clerk did not remit monthly collections received throughout 2019, totaling \$186, to the Department of Agriculture and Markets until December 22, 2019. The Clerk told us that she was unaware of the requirement to remit these collections monthly. However, the Department of Agriculture and Markets remittance form specifically states that collections are to be remitted by the fifth day of the month covering activities of the preceding month.

### **Why Should the Clerk Prepare Monthly Bank Reconciliations and Accountability Analyses?**

The clerk is responsible and accountable for all money received by her office. It is important for the clerk to periodically verify the accuracy of the financial records and establish adequate controls over cash by reconciling the clerk's bank account monthly. In addition, on a monthly basis, the amount of cash on hand and on deposit in the bank should be compared to detailed lists of amounts due to the supervisor and other agencies. This comparison is referred to as an accountability analysis.

Preparing bank reconciliations and accountability analyses are critical procedures that serve to document the status of money held by the clerk and provide a means of demonstrating the clerk is properly addressing her custodial responsibilities. Monthly bank reconciliations and accountability analyses enable the clerk to verify the accuracy of the financial records and remittances to the supervisor and other parties. Town Law requires the clerk to submit monthly reports to the supervisor and other agencies for all money received.<sup>6</sup>

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<sup>6</sup> Town Law, Section 27

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## The Clerk Did Not Prepare Monthly Bank Reconciliations or Accountability Analyses

The Clerk used one bank account for all financial activities related to collections. During our audit period the Clerk did not perform any monthly bank reconciliations or accountability analyses, comparing cash on hand and deposit to known liabilities. The Clerk told us that she has not performed a bank reconciliation or accountability analysis since she took office on January 1, 2018 because she did not make the time and did not receive training on how to complete an accountability analysis.

Because of the recording, reporting and remitting errors and the Clerk's lack of monthly reconciliations and accountabilities, we prepared an accountability analysis through December 31, 2019. We found that the previously discussed recording and reporting errors, and additional minor errors, which we discussed with officials, resulted in an unremitted cash balance in the Clerk's bank account of \$3,161.

**Figure 1: Accountability Analysis as of December 31, 2019**

<b>Adjusted Bank Account Balance</b>	\$5,110
<b>Less: December 2019 Collections</b>	\$1,949
<b>Unremitted Cash Balance</b>	\$3,161

A portion of the unremitted cash balance consisted of \$2,670 due to the Supervisor and \$7 due to the Department of Agriculture and Markets. The remaining unidentified cash balance of \$484 consisted of \$473 carried forward on January 1, 2018 from the former Clerk and \$11 for which we were unable to identify a known liability.

Before our examination, the Clerk was unaware that she had an unaccounted for balance in the bank account. The failure to accurately record collections resulted in incorrect amounts being remitted to the Supervisor and increases the risk of theft and misuse of collections. In addition, had the Clerk prepared monthly bank reconciliations and accountability analyses, she would have been able to identify errors more timely to ensure that the Supervisor was paid the correct amount each month.

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## How Should the Board Provide Oversight of the Clerk's Financial Activities?

Town Law requires the board to conduct or obtain an annual audit of the records and reports of any town officer or employee who received or disbursed money on the town's behalf in the preceding year.<sup>7</sup> This annual audit provides assurance that public money is handled properly (i.e., deposited timely, accurately recorded and accounted for), identifies conditions needing improvement and provides oversight of the town's financial operations. A thorough annual audit also provides the board an added measure of assurance that financial records and reports contain reliable information on which to base management decisions.

## The Board Did Not Annually Audit the Clerk's Records and Reports

The Board did not annually audit the Clerk's records and reports or hire a public accountant for that purpose. The Supervisor told us that neither he nor the Board have audited the Clerk's records and reports. The Board was unaware of this statutory requirement.<sup>8</sup>

Because the Board did not perform annual audits, its ability to effectively monitor financial operations was diminished. Had the Board performed the required annual audits, it may have recognized the deficiencies in the Clerk's records and procedures and brought them to the Clerk's attention to encourage corrective action.

## What Do We Recommend?

The Clerk should:

1. Deposit all collections within three business days after the total exceeds \$250, as required by Town Law, and retain supporting documentation for all deposits.
2. Remit collections to the Supervisor and other agencies accurately and within the required time frames.
3. Perform monthly bank reconciliations and accountability analyses to ensure errors are detected and corrected timely.
4. Turn over the unremitted cash balance to the Supervisor or other agencies as owed. Consult with the Town's attorney for remittance of any unknown liabilities.

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A thorough annual audit also provides the board an added measure of assurance that financial records and reports contain reliable information on which to base management decisions.

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<sup>7</sup> Town Law, Section 123

<sup>8</sup> Refer to our publication Fiscal Oversight Responsibilities of the Governing Board available on our website at: [www.osc.state.ny.us/localgov/pubs/lgmg/fiscal\\_oversight.pdf](http://www.osc.state.ny.us/localgov/pubs/lgmg/fiscal_oversight.pdf)



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5. Obtain training on the financial responsibilities of the Town Clerk from the State Comptroller's Training Academy and/or The Association of Towns' training manual.

The Board should:

6. Conduct or obtain an adequate annual audit of the Clerk's records and reports.

# Appendix A: Response From Town Officials

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## Town of Knox

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July 14<sup>th</sup>, 2020

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

Re: Audit Response to Town of Knox Town Clerk Report and Examination

To Whom It May Concern:

In regards to the above referenced report and the subsequent recommendations the Town of Knox respectfully submits the following response to each of the six (6) recommendations states on page eight (8):

1. The Town Clerk has accepted this recommendation and has taken measures to comply. The Town Board shall discuss and consider memorializing the recommendation in the form of a written policy.
2. The Town Clerk has accepted this recommendation and has taken measures to comply. The Town Board shall discuss and consider memorializing the recommendation in the form of a written policy.
3. The Town Clerk has accepted this recommendation and has taken measures to comply. In addition the Town Clerk shall submit same on a monthly basis to the Town Bookkeeper for review. The Town Board shall discuss and consider memorializing the recommendation in the form of a written policy.
4. The Town Clerk has accepted this recommendation and has taken measures to comply. The Town Board shall discuss and consider memorializing the recommendation in the form of a written policy.
5. The Town Clerk shall make every effort to comply with recommendation when and if the appropriate training becomes available contingent upon the approval of the Town Board.
6. The Town Board shall discuss recommendation and take appropriate action including but not limited to, assigning a sub-committee to conduct an annual audit, review audit findings, and consider memorializing the recommendation in the form of a written policy.

Respectfully Submitted

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Vasilios Lefkaditis  
Town Supervisor

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From the Office of the Knox Town Supervisor /518 8872-2551 ext. 8 / [supervisor@knoxny.org](mailto:supervisor@knoxny.org)

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials to gain an understanding of internal controls over collecting, recording, depositing, remitting and reconciling Clerk collections and to determine whether adequate policies and procedures were in place for Clerk operations and the level of Board oversight.
- We determined whether the Clerk charged proper fees and whether collections were accurately recorded, deposited and remitted timely and intact for the audit period. We compared the information recorded in the Clerk's electronic cash receipt system and other supporting documentation, including duplicate cash receipts, cancelled customer checks, dog licenses, marriage certificates and NYS Department of Environmental Conservation reports, to duplicate deposit slips, deposit compositions (obtained directly from the bank), bank statements and monthly Supervisor reports.
- We performed an accountability analysis for the audit period to determine whether current assets (cash-on-hand and on deposit) agreed to current liabilities (collections received for remittance). We also compared the fees collected to the fees remitted to the Supervisor in the subsequent months to analyze variances identified in our analysis. We performed a cash count of collections on January 21, 2020 to determine whether any December 2019 liabilities were undeposited and still on hand.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 Town Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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