

# Village of Red Hook

## Clerk-Treasurer's Duties

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OCTOBER 2019

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

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# Report Highlights

## Village of Red Hook

### Audit Objective

Determine whether the Village Clerk-Treasurer (Treasurer) performed her duties in accordance with statutes.

### Key Finding

- The Board engaged the services of a contractor to assist the Treasurer with her duties. However, the contractor performed those duties without oversight by the Treasurer.

### Key Recommendation

- Consider creating and designating both a Treasurer and a Clerk position as Village employees to ensure that the Treasurer's financial duties are performed as required by statute.

Village officials disagreed with certain aspects of our findings and recommendation, but indicated they have initiated corrective action. Appendix B includes our comments on issues raised in the Village's response letter.

### Background

The Village of Red Hook (Village) is located in the Town of Red Hook in northern Dutchess County. The Village is governed by a Board of Trustees (Board) composed of four Trustees and a Mayor. The Board is the legislative body responsible for the general management and control of financial affairs.

The Treasurer is the chief fiscal officer and is responsible for preparing and maintaining the accounting records and reports.

#### Quick Facts

2017-18 Budget	\$1.9 Million
2018-19 Budget	\$2 Million
Disbursements for the Audit Period	\$ 3.3 Million

### Audit Period

June 1, 2017 – August 9, 2018

# Clerk-Treasurer's Duties

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## What Are the Clerk-Treasurer's Duties?

Both New York State Village Law (Village Law) and New York State General Municipal Law (GML) require a treasurer (or clerk-treasurer) to keep a complete and accurate account of the receipts and disbursements of all funds.<sup>1</sup> For example, all general ledgers, cash receipts and disbursements journals and subsidiary revenue and appropriation ledgers must be maintained in a complete, accurate and timely manner.

A clerk-treasurer should perform monthly reconciliations of control accounts to subsidiary records and cash to adjusted bank balances and resolve any discrepancies in a timely manner. In addition, the treasurer shall annually make a report of village financial condition to the State Comptroller's office (OSC) and certify such report.<sup>2</sup> Although a village may engage a consultant to advise and assist a clerk-treasurer in their duties, these services should be advisory in nature.

## The Treasurer Did Not Perform Her Duties in Accordance with Applicable Statutes

The Board created a position titled Controller/Process Compliance Officer (Controller) and engaged an independent contractor to perform these duties. The stated purpose of this position is to improve and develop the accuracy of the Treasurer's office by developing better financial insight for department heads and officials. According to contract, the Controller reports to the Board. The Treasurer remains the Village's chief fiscal officer and works with input and guidance from the Controller.

The following powers and duties of the Controller were listed in the contract approved by the Board:

- Review current budget, accounting systems and processes.
- Observe and refine the voucher payment process.
- Modernize the procurement process but comply with Village Law.
- Monitor vouchers and payments and impact on budget lines.
- Develop abstracts and payment authorizations for the Treasurer to issue checks. All payments will be based on a new abstract and approval by the Controller.
- Render reports monthly for Board meetings, as required.

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<sup>1</sup> New York State Village Law, Section 4-408 and New York State General Municipal Law (GML), Section 36

<sup>2</sup> GML, Section 30

- 
- Develop custom reports as needed by the Mayor and Trustees.
  - Develop a filing method of expenditures for grant reimbursements. Monitor and oversee the financial aspects of the US Department of Agriculture-rural development grant/loan program and the federal highway/NYS Department of Transportation grant.
  - Survey, identify and label all checking accounts and savings accounts owned by the Village.
  - Assist in bonding analysis and procurement as needed.
  - Brief and train the Mayor and Trustees as needed on reports.
  - Develop data base that will allow e-mail reports to Trustees and Mayor.

We interviewed the Mayor, Treasurer and Controller to gain an understanding of the process in place to manage financial operations. In addition, we examined the May 31, 2018 annual financial report (AFR) submitted to the State Comptroller's Office (OSC).

Certain duties, which Village Law and GML require the Treasurer to perform, were performed by the Controller with no oversight by the Treasurer or other official. All of these duties should be either performed, or reviewed and approved by the Treasurer. Furthermore, none of the following duties performed by the Controller were listed in the contract signed by the Board:

- Made journal entries in the accounting records.
- Received the bank statements and prepared bank reconciliations.
- Prepared the AFR for May 31, 2018. In addition, the Mayor incorrectly certified he was the chief fiscal officer.

One power conferred upon the Board by Village Law is the management of finances, and both the Treasurer and the Controller reported to the Board. However, the Board did not exercise proper oversight or coordinate the duties performed by the Treasurer and the Controller.

We did not find any discrepancies with the records, but the Controller performed many of the Treasurer's duties and the Treasurer performed some of the Treasurer's duties in addition to the clerk duties. If the Board intended to separate the duties in this manner, it could have complied with the law by separating these two offices and designating that the Controller position (as a Village employee) act as treasurer and creating a separate Clerk position.

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## What Do We Recommend?

The Board should:

1. Consider creating and designating both a Treasurer and a Clerk position as Village employees to ensure that the Treasurer's financial duties are performed as required by statutes.

# Appendix A: Response From Village Officials

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## VILLAGE OF RED HOOK

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JAY TRAPP

*Trustee*  
JENNIFER NORRIS

*Village Clerk/Treasurer*  
CYNTHIA CHIARELLA

August 13, 2019

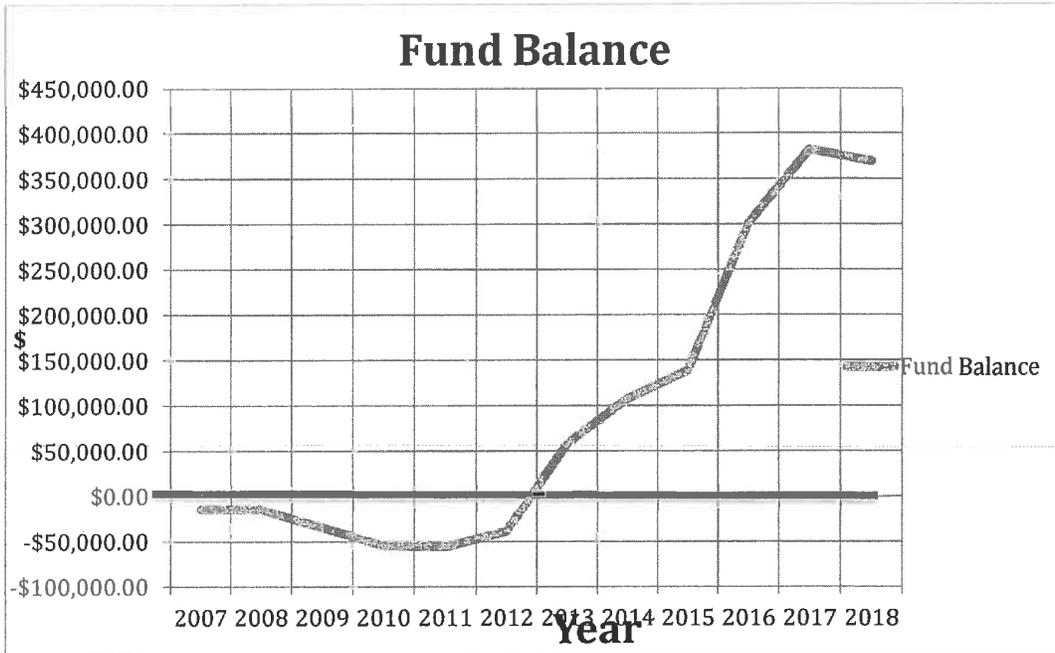
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████████████████████  
  
VILLAGE OF RED HOOK  
AUDIT RESPONSE  
CLERK- TREASURER DUTIES

Dear ██████████

In our case, this administration has a proven track record of reversing a financially stressed government while maintaining services, improving infrastructure and attracting new growth to the Village of Red Hook. In 2011 there was negative cash flow and known negative fund balances which we set our plans to correct. Charts and figures shown to the NYS Comptroller's auditor show this improvement and our daily operations reflect the improvement. We climbed out of the financial troubles by taking very detailed steps to monitor and control expenses, yet staying within tax caps. One of our steps included creating far more budget sub-categories so we can detect and manage variations as they are happening.

The Village of Red Hook is an equal opportunity provider and employer.



We re-designed our operation upon taking office back in 2011. This began with far more attention to budget adherence and cross-checking our finances by retaining our own controller whose duties include reporting to the Mayor, the Board and working with the Treasurer, but as an augmentation to the Treasurer, not a staff assistant to the Treasurer. The auditor seems to miss this intent and the positive results.

See  
Note 1  
Page 8

It is our stance that best practices is to isolate check/bank reconciliation away from the party that issues and sends out the checks. Apparently the Treasurer told the auditor certain things that do not seem correct about the reconciliation steps.

Description	Amount	Balance
Accounts Payable	88,115	84,588.29
Accounts Receivable	26,100.00	46,562.81
Accounts Payable	20,000.00	18,460.00
Accounts Payable	3,041.46	11,104.11
Accounts Payable	762.00	18,881.25
Accounts Payable	3,408.75	11,438.54
Accounts Payable	2,476.30	18,822.24
Accounts Payable	1,574.00	25,144.13
Accounts Payable	0.00	10,154.89
Accounts Payable	4,289.00	17,444.72
<b>Total</b>		<b>65,618.65</b>

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A typical reconciliation requires the Controller to get deposit records from the Treasurer and then mailed account documents from the Treasurer. The Controller then sits in our offices and updates [REDACTED] then returning the documents to the Treasurer. A screen print of [REDACTED] illustrates how the new bank balance sits contiguous to the columns marked with reconciled checks.

See Note 2 Page 8
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Regarding the AFR (AUD), back in 2011 the village used a non-CPA firm to do the AUD and the reporting illustrated negative balances and consistent cash flow problems had no affect. It became apparent there was a disconnect between issued AUD's, interpretations and actions necessary. The Board chose to seek more professional help and sought a CPA firm. At the same time we benefitted from the A-133 single audits along with a conversion to GASB-34 accounting. Each year the AUD was costing more money with the CPA firm shifting the handling internally. In 2018 we decided to use our Controller and the Treasurer, along with our CPA audit firm. Somewhere in the electronic conveyance of the last AUD to the Comptroller, digitally, a signature box was incorrectly done. It was either the Controller or the Treasurer but either way it was a mistake and will not happen again.

As to recommendations, we will continue using a controller to augment the Treasurer but work at the inter-face more while also maintaining certain isolation of tasks for best practices.

Very truly yours,

Ed Blundell – Mayor  
for the Board of Trustees – Village of Red Hook

## Appendix B: OSC Comments on the Village's Response

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### Note 1

While we acknowledge that Village officials intend the Controller to act as an augmentation to the Treasurer, the Treasurer is legally required to perform certain duties. By having the Controller perform these duties with no oversight by the Treasurer or other official, Village Law and GML are not being complied with.

### Note 2

Although the Controller performed a partial reconciliation, it was not a properly prepared bank reconciliation. A bank reconciliation should include a schedule of the differences between the bank statements and the Village's accounting records, and account for transactions not yet recorded by the bank (i.e., outstanding checks) and transactions processed by the bank (i.e., wire transfers) that might not yet be recorded in the accounting records. This schedule should be used as the basis for any required adjusting journal entries to bring the accounting records into agreement with the bank balance. An accurately prepared bank reconciliation can also reveal errors made by either the bank or Village staff.

## Appendix C: 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<sup>3</sup> and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Village officials and the Controller to obtain an understanding of the processes in place to manage finances.
- We reviewed the legal requirements of Village Law and GML to determine the responsibilities of officials required by statute.
- We reviewed the Controller's contract to determine what duties were required to be performed.
- We reviewed the annual financial report filed with OSC for 2017-18 to determine whether the report was certified by the proper official.

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.

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.

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<sup>3</sup> We also issued a separate audit report, Town of Red Hook – Procurement and Claims Auditing (2019M-100).

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

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

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

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

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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