



THOMAS P. DINAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

May 2, 2014

Stephen Welle, Mayor
Members of the Board of Trustees
Village of Harriman
1 Church Street
Harriman, NY 10926

Report Number: 2011M-182-F

Dear Mayor Welle and Members of the Board of Trustees:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and account for and protect local government assets. In accordance with these objectives, we conducted an audit of the Village of Harriman (Village) to assess its financial operations. As a result of our audit, we issued a report, dated November 2011, identifying certain conditions and opportunities for Village management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Village on March 18, 2014 to review its progress in implementing our recommendations. Our follow-up review was limited to interviews with Village personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Village has made progress implementing corrective action. Of the four audit recommendations, two recommendations were implemented and two recommendations were partially implemented.

Recommendation 1 – Segregation of Duties

Village officials should ensure that all incompatible financial duties are adequately segregated.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the Financial Risk Policy (Policy) that was adopted by the Board of Trustees (Board) in July 2013. While the Policy addressed segregation of duties in financial areas, it did not segregate the financial activities in the Water Department or implement compensating controls. The same Village employee enters the meter readings, generates the

water bills, collects payments and enters the payments into the financial system with little or no oversight by other Village officials.

Furthermore, at the Board meeting on April 2, 2014, the Village Clerk was removed as the Building Department assistant and those duties were given to the Deputy Clerk. As a result, one person, the Deputy Clerk, is in charge of all cash collection and financial recordkeeping for the Building Department and the Planning and Zoning Boards. There is no longer an appropriate segregation of financial duties within the Building Department and the Planning and Zoning Boards.

In addition, the Village purchased new computers and financial software to assist in segregating duties. Although Village officials stated that access would be given to employees on an “as needed” basis, we found that three employees were given unlimited access to the financial software, giving them more rights than necessary to perform their duties. Furthermore, the Mayor had rights to the financial software that allowed him to add, modify and delete financial information. The Mayor’s access should be limited to read-only rights, which would allow him to perform his oversight responsibilities of the Village’s financial activities.

Recommendation 2 – Board Oversight of Village Records

The Board should perform an in-depth review of the Village’s records and reports, address any deficiencies and provide for a thorough audit on an annual basis.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board hired a financial consultant for the period of August 2011 through February 2013 whose responsibilities included making necessary accounting adjustments and bringing the accounting records up to date. In addition, the Village has had independent audits performed for the 2010-11 and 2011-12 fiscal years and is waiting for the completion of the independent audit for 2012-13 fiscal year.

While the Village has obtained independent audits, they were not completed in a timely manner. The 2010-11 audited financial statements were completed in February 2013, 21 months after the close of the fiscal year. The 2011-12 audited financial statements were completed in November 2013, 18 months after the close of the fiscal year. As of April 2, 2014, the 2012-13 financial statement audit has not been completed, 10 months after the completion of the fiscal year.

Recommendation 3 – Complete and Accurate Records

Village officials should ensure that the Village’s chief fiscal officer maintains complete and accurate records of Village transactions in accordance with the State Comptroller’s Uniform System of Accounts.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board has taken steps to ensure that the Village's chief fiscal officer maintains complete records of Village transactions in accordance with the Uniform System of Accounts. Employees that have financial duties have attended pertinent training. While the records have improved significantly, there are still improvements that need to be made.

We performed testing to determine if the records were complete and accurate. The testing revealed that the untimely independent audits and related adjusting entries caused the Village's financial records and the amounts reported to the State Comptroller's Office at fiscal year end to have variances. The variances continued over multiple fiscal years which made reconciliation difficult. While we were able to reconcile the general fund, we could not determine the correct classification of the fund balance in the water fund.

Recommendation 4 – Reserve Fund Accounting

Village officials should record the revenues and expenditures for all reserve funds separately from the operating funds.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the records for each of the reserve funds that have been established by the Village. All reserves are accounted for separately from the operating funds.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Tenneh Blamah, Chief Examiner of our Newburgh office at (845) 567-0858.

Sincerely,

Gabriel F. Deyo