



Village of East Syracuse

Board Oversight of Cash Receipts and Disbursements

2023M-79 | August 2023

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Report Highlights

Village of East Syracuse

Audit Objective

Determine whether the Village of East Syracuse (Village) Board of Trustees (Board) adequately monitored cash receipts and disbursements.

Key Findings

The Board did not adequately monitor cash receipts and disbursements. Due to the lack of oversight and compensating controls, there is an increased risk that errors and/or irregularities could occur and remain undetected and uncorrected.

- The Treasurer performed nearly all aspects of the cash receipts and disbursements processes, and the Board did not establish sufficient compensating controls to help ensure cash was safeguarded.
- The Board did not review, or designate anyone to review, bank statements and canceled check images, bank reconciliations and bank transfers, or compare receipts with deposits to help ensure cash was accounted for and records were accurate.
- The Board did not ensure any Village officials reviewed and certified all payroll payments to provide assurance employees received accurate pay.
- The Treasurer paid 49 claims totaling \$258,182 without the Board's audit and approval.

Key Recommendations

- Properly monitor cash receipts and disbursements.
- Properly audit and approve all claims.

Village officials agreed with our findings and indicated they are initiating corrective action.

Background

The Village is located in the Town of DeWitt (Town) in Onondaga County.

The Village is governed by an elected Board composed of a Mayor and four trustees. The Board is responsible for oversight and general management of Village financial activities. The Mayor is the chief executive officer.

The Board-appointed Treasurer is the chief fiscal officer and is responsible for the Village's day-to-day financial activities. This includes processing cash receipts and disbursements and maintaining the accounting records.

For part of the audit period, the Board appointed a Village Clerk-Manager to assist the Board with certain oversight duties such as reviewing and approving payroll, reviewing purchase orders and monitoring the budget.

Quick Facts

2022-23 Budgeted Appropriations	\$4.6 million
Cash Receipts Tested	\$4.4 million
Total Cash Disbursements 6/1/20 – 12/31/22	\$6.1 million

Cash Disbursements Tested

Non-Payroll	\$1.0 million
Payroll	\$0.2 million
Total	\$1.2 million

Audit Period

June 1, 2021 – May 18, 2023

Board Oversight

How Should a Board Monitor Cash Receipts and Disbursements?

A village board is responsible for overseeing a village's financial operations and safeguarding its resources. This responsibility includes establishing an internal control system to provide adequate segregation of duties so that one individual does not control all phases of financial transactions. Specifically, one individual should not have the ability to authorize, execute and record a transaction or control the entire cash receipts or disbursements process.

A board should ensure compensating controls are in place when segregating financial duties is not practical. Compensating controls help reduce the risk of errors or irregularities occurring and remaining undetected and can include having the board or someone independent of the cash receipts and disbursements process routinely review monthly bank reconciliations, bank statements and canceled check images; compare receipts with deposits; and certify payrolls to help ensure funds are properly accounted for and used for legitimate village expenditures.

With limited exceptions, boards are required to audit and approve all claims before payment. The audit of claims should be a deliberate and thorough process to determine whether the proposed payments are for proper purposes and that the goods or services were received. Boards may, by resolution, authorize payment in advance of audit for claims for public utility services, postage and freight, and express charges. However, these claims must be presented to and audited by the board at its next regular meeting. Claims that do not meet these criteria should not be paid until authorized by the board. In addition, the village clerk must sign an abstract that lists the claims audited and approved by the board. This serves to document the board's authorization for the treasurer to pay the claims and its review and approval of any claims paid prior to audit.

The Board Did Not Provide Adequate Oversight of Cash Receipts and Disbursements

The Board did not ensure sufficient internal controls were in place to adequately monitor cash receipts and disbursements. The Board's oversight of financial activities was limited to its monthly claims audit function and monitoring the budget. The Board could implement additional procedures to more effectively minimize the risks associated with the Treasurer's lack of segregation of duties.

The Treasurer performed nearly all aspects of the cash receipts and disbursements processes, including:

- Collecting, depositing and recording cash receipts,
- Preparing and signing checks for claims payments and payroll,
- Processing bank transfers and payroll direct deposits,

The Treasurer performed nearly all aspects of the cash receipts and disbursements processes... without adequate review or approval and, in some instances, without any review or approval.

-
- Reconciling bank accounts, and
 - Making journal entries.

The Treasurer performed these duties without adequate review or approval and, in some instances, without any review or approval. For example, other than the Treasurer, no one received or reviewed bank statements and canceled check images. Also, no one reviewed bank reconciliations and bank transfers or compared receipts with deposits to help minimize the risk of unauthorized transactions or other errors or irregularities occurring and remaining undetected.

The Village Clerk-Manager reviewed and signed payroll registers and related reports prepared by the Treasurer until he left Village employment in February 2022. The Board hired a new Clerk but did not refill the Manager position or require other Village officials to review and certify payroll.

As part of the cash disbursements process, the Treasurer prepared claim packets, which included a claim form and the related supporting documentation (e.g., invoices and receipts) and entered the claim information into the accounting system, which generated the monthly list of unaudited claims. The unaudited claims were presented to and reviewed by the Board at the next regular meeting. The Board, by resolution, approved claims and documented in the Board meeting minutes the claim numbers and total amount approved. While the Clerk-Manager occasionally signed the abstracts of approved claims during his term, the current Clerk did not sign the abstracts to document the Board's approval of the claims listed.

We reviewed 224 non-payroll disbursements totaling \$1.04 million¹ and determined that, while all disbursements were properly recorded, supported and for valid Village purposes, 49 disbursements (22 percent) totaling \$258,182 were paid without proper Board authorization. These 49 disbursements were listed on claims lists labeled "advance checks" and were separate from the monthly claims audited by the Board. Despite being labeled as advance payments, the lists included claims that were not eligible to be paid in advance of Board audit. For example, claims included:

- Village credit card payments (\$18,918),
- Computer tablets for the Fire Department (\$11,652),
- A plow blade for the Highway Department (\$8,745), and
- Security services for a fireworks display (\$2,125).

The Treasurer told us that she pays these types of claims in advance because an employee requests it, sometimes after receiving informal approval from a Board

¹ Refer to Appendix B for further information on our sample selections and methodologies.

member, or because payment for the claim is due before the next Board meeting. Although these claims were labeled as advance payments, the Treasurer told us, and we confirmed, that these claims were not presented to and audited by the Board at the next meeting. When claims are inappropriately paid without the Board's audit and approval or in advance of its approval, there is an increased risk that inaccurate or improper payments could be made.

We also tested a sample of cash receipts (including tax payments and penalties), bank transfers and payroll payments (see Appendix B for further details). Except for minor discrepancies which we discussed with Village officials, cash receipts were properly recorded and deposited, and bank transfers and payroll payments were appropriate. Although we did not identify any significant discrepancies in our testing, a lack of segregation of duties without compensating controls increases the risk that errors and/or irregularities could occur and remain undetected and uncorrected.

What Do We Recommend?

The Board should:

1. Establish sufficient compensating controls to monitor cash receipts and disbursements processed by the Treasurer. Such controls should include:
 - a. Reviewing bank statements, canceled check images, bank transfers and reconciliations,
 - b. Comparing receipts to deposits, and
 - c. Reviewing and certifying payrolls.
2. Ensure the Treasurer pays only those claims before Board audit and approval that are allowed to be paid in advance and audit such claims at the next regular Board meeting.

The Clerk should:

3. Certify abstracts to document the Board's audit and approval of the related claims.

Appendix A: Response From Village Officials



Village of East Syracuse

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Mayor

Lorene Dadey

Deputy Mayor

Mary Albanese

Trustees

Margaret Raesky

Dominic Celletti

Carol Para

Justice

Joseph Zavaglia

Village Clerk

Sarah Mrowinski

Parks & Recreation

Thomas Richardson

DPW Superintendent

Randy Hughson

Code Enforcement

Chris Shields

Fire Chief

Leonard DiBello

August 14, 2023

Rebecca Wilcox, Chief of Audits
Office of the New York State Comptroller
State Office Building, Room 409
333 East Washington Street
Syracuse, NY 13202

Dear Ms. Wilcox

The Village of East Syracuse is in receipt of the draft audit findings presented July 13, 2023, to me and our Treasurer.

We agree with these findings, and the findings have been discussed with board members. We are working on developing new policies and procedures. These will be presented to you, along with supporting documentation, when the CAP report is submitted.

We appreciate the assistance and guidance from your office.

Sincerely,

Lorene Dadey
Mayor

WWW.VILLAGEOFEASTSYRACUSE.COM

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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Village officials and reviewed Board meeting minutes, Village policies and procedures, and various records and reports to gain an understanding of internal controls related to cash receipts and disbursements.
- We used our professional judgment to select the month of July 2022 and reviewed 167 non-property tax cash receipts totaling \$24,499 and 107 property tax receipts totaling \$165,208 to determine whether money collected was deposited timely and intact. We selected July 2022 because it included a variety of receipts such as fees for parks and recreational activities and rentals, senior citizen trips, refuse and garbage, administrative services, court fines and fees, and real property taxes.
- We reviewed 15 payments totaling \$2.1 million received from New York State agencies and the Town to determine whether money collected was properly deposited and recorded. We selected payments from New York State for receipts received July 2021 through December 2022 and the Town for receipts received July 2021 through April 2022 because they make up a large percentage of Village revenues.
- We traced all property tax receipts collected (per detail batch reports) from June 2022 through October 2022 totaling \$2.3 million to the central accounting records, deposit slips and bank statements to determine whether property tax receipts were properly deposited and recorded. Furthermore, we used our professional judgment to test a sample of 15 larger property tax receipts collected during the penalty period to determine whether penalties were properly assessed, collected and deposited.
- We reviewed the claim packets, abstracts, bank statements and canceled check images for 224 disbursements totaling \$1.04 million to determine whether disbursements were recorded and paid as authorized and for valid Village purposes. We used our professional judgment to select all 150 claims in the month of September 2021 because it was the month with the highest dollar value of approved claims. We used our professional judgment to select an additional 74 disbursements including all claims paid in advance of Board authorization. We selected claims that posed a higher risk for inappropriate Village expenditures. These claims included any payments to Board members, the Treasurer and Clerk-Manager; unrecognized vendor names; and credit card payments.
- We reviewed the payroll registers, abstracts, bank statements, canceled check images and automated clearing house confirmations of all 149 payroll

disbursements in September 2021 totaling \$114,373 to determine whether payroll disbursements agreed with the records and were paid as authorized. Furthermore, using timecards and Board-authorized wages, we recalculated all 35 employees' wages on the September 25, 2021 payroll to determine whether their wages were properly calculated.

- We reviewed all 81 payroll disbursements totaling \$54,066 made to the Treasurer from June 2021 through December 2022 to determine whether payments were recorded and agreed with the salary authorized by the Board.
- We used our professional judgment to select five months of bank statements and reviewed all transfers, withdrawals and adjustments totaling \$559,840 to determine whether bank activity was for appropriate Village purposes. We selected bank statements from the months of November 2021, December 2021, May 2022, July 2022 and September 2022 because they had large amounts of transfers and withdrawals.

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 Village Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

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

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

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/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.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

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Contact

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