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December 2016

Village of Northville
Joint Youth Program Commissioners
412 South Main Street
Northville, NY 12134

Report Number: 2016M-339

Dear Commissioners:

The Office of the State Comptroller works to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are 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 their entity's assets.

In accordance with these goals, we conducted an audit of the Northville Joint Youth Activity Program (Program), which addressed the following question:

- Are the Program's financial activities properly recorded and reported and are Program collections adequately safeguarded?

We discussed the findings and recommendations with Village officials and considered their comments in preparing this report. The Village's response is attached to this report in Appendix A. Village officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

Background and Methodology

The Program is a joint youth activity established by the Village of Northville (Village) to operate youth development activities for children residing in the Village and Towns of Northampton, Edinburg, Benson and Day. The Program serves approximately 110 children during a five-week summer camp program and through various youth events held throughout the year. The Program's expenditures for fiscal year 2015-16 were \$37,282, funded primarily by the Village, Northville Central School District (District) and participating Towns.

A Commission composed of two Village Trustees, two Town of Northampton Board Members and a District representative is responsible for the overall financial management and safeguarding of Program resources. Two Commissioners are responsible for authorizing disbursements, as

prepared by the Village Treasurer (Treasurer), from the Program's bank account. The Treasurer is responsible for keeping a complete and accurate record of the Program's financial transactions.

We examined the Program's financial operations for the period June 1, 2014 through May 31, 2016. We interviewed appropriate Program officials and reviewed financial records and Commission meeting minutes. We conducted this performance audit in accordance with 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.

Audit Results

The Commission is responsible for implementing adequate procedures to provide guidance to Program officials for collecting, accounting for and depositing collections in a timely manner and for disbursing Program funds. The Treasurer is responsible for collecting cash receipts, preparing and making deposits, recording transactions in the accounting records and completing monthly bank reconciliations.

Although reconciliations were performed, the bank statements and reconciliations were not provided to the Commissioners to enable a proper review of financial transactions. The former Joint Youth Director (Director) collected money from participants and used those funds to pay for activities in cash rather than turn them over to the Treasurer. Additionally, the collections that were remitted to the Treasurer for deposit were not adequately supported with duplicate receipts or other documentation. However, the Treasurer did ensure that all collections received were safeguarded by securing them in a locked safe until deposit.

The Treasurer disburses Program funds to employees and vendors on behalf of the Program in conjunction with the Village's disbursement process. He receives Program invoices, records the payables in the accounting records and provides the vouchers and an abstract to a Commissioner for review and approval.¹ After approval, the Treasurer prepares and signs checks. The signed checks and vouchers are provided to the Village Clerk (Clerk) to ensure the checks agree with the related vouchers. After verifying the checks and vouchers agree, the Clerk stamps the vouchers as paid and mails the checks. The Treasurer completes bank reconciliations monthly; however, he does not provide the reconciliations and bank statements to the Commissioners for review.

The Treasurer maintains accurate accounting records and reports the Program's financial information to the Commissioners for their review. However, the Commissioners could improve their oversight of transactions by requiring bank statements and reconciliations be provided to them on a monthly basis along with records of receipts and disbursements. Commissioners can also improve the safeguarding of collections by requiring all Program collections be turned over to the Treasurer and all disbursements be subject to the disbursement process administered by the Treasurer and Clerk.

¹ One of the two Village Trustees that serves as a Commissioner is responsible for approving vouchers and reviewing financial reports at the monthly Village Board meeting because the Commission does not meet regularly.

We reviewed all financial transactions associated with the Program from June 1, 2014 through May 31, 2016 to ensure all financial activity was properly recorded and reported. We reviewed the Program's receipts and disbursements and corresponding bank statements, including deposit slips and canceled check images. We traced the financial transactions to supporting documentation and to the accounting records to verify accuracy of the figures recorded and reported.

Collections – During our audit period, the Treasurer recorded 23 collections totaling \$80,877. Two collections totaling \$2,567 for two field trips lacked adequate supporting documentation such as the dates of collections, the names of payees and amounts paid. For example, using the Commission's credit card, the prior Director² purchased 80 admission tickets totaling \$2,115 for a trip to an amusement park on August 13, 2015. The Commission is responsible for covering the admission for its youth counselors and subsidizing the admission cost for participating children. Parents can attend the trip with their children by reimbursing the Commission. On August 12, 2015, the Director remitted \$1,264 to the Treasurer for related collections. However, the Director did not provide a record detailing the dates of collections, the payees' names and the amounts paid to ensure all related collections from participants were accounted for and deposited.

The prior Director also collected cash but did not remit it to the Treasurer to be recorded and deposited. We found six instances where the prior Director collected \$1,810 from participants and used this money to pay for the cost of related joint youth field trips, rather than remitting the collections to the Treasurer. For example, on August 6, 2015, 64 youth admission tickets to a museum were purchased totaling \$384. The prior Director paid \$340 in cash from money collected from the participating children and paid the \$44 balance with the Commission credit card. The practice of not remitting collections to the Treasurer and instead using them to pay for the cost of field trips resulted in unaccounted Program revenues and expenditures. Consequently, we determined that total revenues and expenditures were understated by at least \$1,810. The Commission adopted collection procedures in April 2016 to require that all collections be remitted to and recorded by the Treasurer.

Cash Disbursements – The Treasurer made 219 Program disbursements during the audit period totaling \$75,762, including 157 payroll disbursements from the Village to Program employees totaling \$51,700. We determined that all payroll disbursements were accurate based on supporting documentation and were properly recorded in the accounting records. The remaining 62 nonpayroll-related Program disbursements totaling \$24,062 were made to pay for or subsidize the cost of youth field trips and miscellaneous program expenses. Except for some minor exceptions that we discussed with Program officials, we found the disbursements were supported by adequate documentation, appropriate and properly recorded in the accounting records.

Recommendations

1. The Commissioners should review bank statements in conjunction with a review of the bank reconciliations to ensure a proper review of the Program's financial activity.
2. The Treasurer should ensure that the Program's collections are properly supported and remitted to him for deposit.

² The prior Director retired from her position in December 2015.

3. Program officials should monitor the effectiveness of recently adopted cash collection procedures.

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 forwarded 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 this plan available for public review in the each of the participating Town Clerks' offices.

We thank the officials of the Northville Joint Youth Program for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

John Spaeth
Mayor

Nathaniel J. Matthews
Treasurer

Wendy L. Reu
Clerk

Village of
NORTHVILLE

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Trustee
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November 28, 2016

NYS Office of the State Comptroller
Division of Local Government & School Accountability
One Broad Street Plaza
Glens Falls, NY 12801-4396
Attn: Mr. Leonard

Dear Mr. Leonard,

Please accept this as the Village of Northville Joint Youth Program's official response and corrective action plan.

The Village of Northville is in receipt of the Draft Report Number 2016M-339 of the Joint Youth Program for the period June 1, 2014 through May 31, 2016 to determine whether financial activities were properly recorded, reported and collections adequately safeguarded. We have thoroughly reviewed the report and concur with its conclusions.

The following are the Audit Recommendations:

1. The Commissioners should review bank statements in conjunction with a review of the bank reconciliations to ensure a proper review of the Program's financial activity.
2. The Treasurer should ensure that the Program's collections are properly supported and remitted to him for deposit.
3. Program officials should monitor the effectiveness of recently adopted cash collection procedures.

Implementation Plan, Date of Action and person responsible for Implementation:

1. Commissioners will be provided bank statements and reconciliations from Treasurer on a monthly basis for their review. This audit recommendation was implemented with the first monthly report following the recommendation.
2. Treasurer is ensuring all Program's collections are being remitted from the youth program director and properly supported with duplicate deposit slips and an internal funds collection form(s) containing dates of collections, names of payees and amounts paid. This process was implemented at the time of adoption of new cash collection procedures prior to commencement of audit.
3. Commissioners will monitor effectiveness of recently adopted cash collection procedures by reviewing the internal funds collection form along with monthly bank statements and bank reconciliations provided by the Treasurer. This audit recommendation was implemented immediately following the recommendation.

On behalf of the Village of Northville Joint Youth we extend our appreciation to the audit team for their professionalism and suggestions provided during the examination process.

Respectfully,

William Gritsavage, Chair
Joint Youth Commission