



Town of Lincoln

Town Clerk

2023M-31 | April 2024

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Report Highlights

Audit Objective

Determine whether the Town of Lincoln (Town) Town Clerk (Clerk) properly accounted for, deposited, reported and remitted collections.

Key Findings

The former Clerk did not properly account for, deposit, report or remit collections. When receipts are not accurately and promptly recorded or deposited, officials do not have assurance that all collections are accounted for, and money could be lost or misappropriated. For example, as of April 13, 2022, the former Clerk could not account for cash totaling \$3,869. The former Clerk also did not:

- Deposit \$4,038 in cash collections recorded from January 1, 2018 through April 13, 2022.
- Maintain complete records for all cash collected. For example, Town officials found \$622 in cash in her office with no supporting records showing the source of the funds.
- Record 44 checks totaling \$4,320 in the accounting system, and improperly voided other receipts totaling \$769. These unrecorded receipts and voids enabled the former Clerk to conceal cash collections that were recorded but not deposited.

The Town Board (Board) did not perform an annual audit of the former Clerk’s records, as required.

In July 2023, the former Clerk was arrested on charges of petit larceny for stealing nearly \$4,000 from the Town. In February 2024, she pled guilty to the theft, paid full restitution of \$3,869 and received a one-year conditional discharge.

Key Recommendations

- Perform an annual audit of the Clerk’s records.
- Promptly deposit and record collections.

Town officials generally agreed with our recommendations and indicated they have initiated, or plan to initiate, corrective action.

Audit Period

January 1, 2018 – June 1, 2022

We extended our audit period back to December 1, 2017 to quantify the amount of unidentified funds in the Clerk bank account when the former Clerk took office.

Background

The Town is located in Madison County (County) and is governed by an elected five-member Board including the Supervisor and four Board members. The Board is responsible for general oversight of Town finances and operations.

The Clerk collects fees for a variety of purposes, including building permits; dog, hunting, fishing and marriage licenses; landfill stickers; and certified copies of death certificates.

Generally, all fees received by the Clerk are property of the Town, County or State and must be promptly remitted to the appropriate parties. The former Clerk began her term on January 1, 2018 and she resigned on April 15, 2022, two days after the audit started.

Quick Facts	
2022 Appropriations	\$868,700
Former Town Clerk	
Recorded Collections January 1, 2018 through April 13, 2022	\$47,013

Town Clerk

How Should a Town Clerk Record, Deposit, Report and Remit Collections?

A town clerk (clerk) must properly account for all transactions by promptly and accurately recording the amounts collected in a cash receipts journal, depositing collections intact (in the same amount and form - cash or check - as received), and reporting and remitting collections to the town supervisor and appropriate agencies (e.g., New York State Department of Agriculture and Markets, Department of Health (DOH) and Department of Environmental Conservation (DEC)).

When a clerk has no other evidence of collection (e.g., 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 (e.g., cash, check or money order) with a copy retained to support the collection. Proper receipts serve as evidence of individual collections and help ensure accounting records are complete and accurate.

In addition, a clerk is responsible and accountable for all money received by his or her office. A clerk should prepare monthly bank reconciliations and accountability analyses to compare current assets (cash on hand and in the bank) to current liabilities (unremitted collections). Preparing bank reconciliations and accountability analyses enables a clerk to verify the accuracy of financial records and ensure proper remittances are made to the town supervisor and other agencies. The clerk should immediately investigate and resolve any discrepancies between the liabilities and available cash.

The board must comply with New York State Town Law, Section 123 and complete annual audits of the clerk's records.¹ An annual audit is a particularly important function when the clerk's office is mainly a one-person operation where the clerk receives cash payments, records cash collections in the accounting records, disburses money and reconciles their own accounts.

The Clerk Did Not Always Deposit Cash Collections and Record All Receipts

From January 1, 2018 through April 13, 2022, the former Clerk recorded collections totaling \$47,013 in the computerized accounting system, of which \$33,230 was recorded as checks, and \$13,783 was recorded as cash collections. We obtained detailed deposit compositions from the bank showing images of the checks and money orders deposited and the amount of cash included in each deposit and compared them to the collections recorded in the accounting system. We identified \$982 in check collections that were incorrectly recorded in the

Preparing bank reconciliations and accountability analyses enables a clerk to verify the accuracy of financial records and ensure proper remittances are made to the town supervisor and other agencies.

¹ Refer to our publication *Fiscal Oversight Responsibilities of the Governing Board*, available on our website at www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/fiscal_oversight.pdf.

accounting system as cash payments. When the records are adjusted for these errors, the recorded cash collections total \$12,801.

The former Clerk did not deposit all cash receipts intact and in a timely manner. This was partly due to the former Clerk depositing \$1,604 in petty cash² reimbursement checks from the Town into her Clerk bank account rather than cashing the petty cash checks at the bank to replenish her petty cash fund. The former Clerk used her cash collections from daily sales to make petty cash purchases and/or replenish the petty cash fund and deposited the reimbursement checks in place of the cash she received. While these transactions were offsetting and had no net effect on the former Clerk’s accountability, she should have deposited all funds intact.

After factoring in the petty cash reimbursement checks the former Clerk deposited in place of the cash collections, we determined that recorded cash collections totaling \$4,038 were not deposited into the Clerk’s bank account (Figure 1).

Figure 1: Recorded Cash Collections Compared to Cash Deposits

	2018	2019	2020	2021	2022 ^(b)	Total
Recorded Cash Collections ^(a)	\$4,241	\$3,052	\$2,386	\$2,267	\$855	\$12,801
Less: Cash Deposited In Bank	3,814	2,029	774	8	534	7,159
Recorded Cash Collections Not Deposited						
Deposited	427	1,023	1,612	2,259	321	5,642
Less: Petty Cash Checks Deposited In Place of Cash	421	670	472	41	0	1,604
Net Recorded Cash Collections Not Deposited	\$6	\$353	\$1,140	\$2,218	\$321	\$4,038

(a) Amounts do not include check payments received (totaling \$982) that were incorrectly recorded as cash collections.

(b) Recorded cash collections are from January 1, 2022 through April 13, 2022.

In addition, after the former Clerk resigned on April 15, 2022, the Supervisor and current Clerk found an envelope containing \$622 in cash when they were cleaning out the former Clerk’s office. There were no duplicate receipts or other records maintained to identify who paid these funds, the amounts and dates the funds were received or the purpose of the funds. Therefore, it is unclear whether this cash relates to receipts that the former Clerk had already recorded in the accounting system or other collections that she did not record.

² The former Clerk maintained a \$200 petty cash fund that was primarily used to purchase stamps and occasionally used for office supplies and food for Town meetings. The former Clerk periodically submitted a voucher to the Town for reimbursement of expenses and received a check to replenish her petty cash fund.

In addition, the former Clerk did not record all the collections she received. We identified 44 checks totaling \$4,320 that were deposited into the Clerk bank account but were not recorded as collections in the accounting system.³ These checks ranged from \$10 for certified copies of death certificates to \$600 for highway construction permit fees. These unrecorded check deposits were substituted for cash collections that were recorded and reported to the Supervisor and other agencies but not deposited. Substitution of checks for cash collections is a common way to conceal the theft of cash collections.

When receipts are not accurately and promptly recorded or deposited intact, officials do not have assurance that all collections are accounted for. As a result, there is an increased risk that money could be lost or misappropriated.

The Clerk Account Had a Cash Shortage

The former Clerk did not prepare monthly bank reconciliations or accountability analyses (reconciling cash assets to liabilities). At the start of our fieldwork on April 13, 2022, we conducted a cash count, at which time the former Clerk presented \$286 in cash and checks which matched the recorded transactions in the accounting system since her last deposit.

Although the former Clerk signed our cash count worksheet certifying that the amount represented all non-deposited cash for which she was accountable, as previously noted the Supervisor and current Clerk later found the \$622 in unidentified cash in the Clerk's office after the former Clerk resigned. The former Clerk did not present these funds at the time of our cash count.

We performed an accountability analysis as of April 13, 2022, comparing the former Clerk's known liabilities to available funds (including the \$622 cash found by officials) and identified a cash shortage of \$3,869 (Figure 2).

We identified 44 checks totaling \$4,320 that were deposited into the Clerk bank account but were not recorded as collections in the accounting system.

³ See further discussion in the section entitled, *The Clerk Account Had a Cash Shortage*.

Figure 2: Former Clerk’s Accountability Analysis as of April 13, 2022

Assets	
Cash in bank	\$2,662
Cash on hand during cash count ^a	286
Cash found in the office after former Clerk resigned	622
Total Cash	\$3,570
Known Liabilities	
Unremitted collections (April 1, 2022 - April 13, 2022)	\$1,713
Unidentified cash balance before January 1, 2018 (from previous Clerk)	512
Due to DOH (for June 2021 marriage license fee)	23
Unrecorded Liabilities	
Deposited checks that were not recorded	\$4,320
Permit fees collected that were improperly voided	769
Check payment recorded for less than the amount paid	93
Sporting licenses not recorded (Town’s share of sales)	9
Total Unrecorded Liabilities	\$5,191
Total Known Liabilities	\$7,439
Total Cash Shortage	\$3,869
<p>^a At the time of our cash count, the former Clerk also provided an accounting of her \$200 petty cash fund. She presented \$193 in petty cash and a \$7 receipt for postage.</p>	

Unrecorded Cash Receipts – As previously mentioned, we identified \$4,320 in check payments received for various fees collected that were deposited into the Clerk bank account but not recorded in the accounting system. These fees were for building, highway and zoning/variance permits; certified copies of death certificates and marriage licenses; and dog impoundment fees received from a local animal shelter. We also identified a deposited check for \$161 for the payment of a building permit (\$68) and zoning variance (\$93), but only the building permit fee was recorded in the accounting records, leaving an unrecorded receipt of \$93 for the zoning variance. Because these collections totaling \$4,413 were not recorded, they were not reported and remitted to the Supervisor and are considered outstanding liabilities that must still be paid.

In addition, the former Clerk used the DEC Automated Licensing System (DECALS) to record payments and issue sporting licenses (e.g., hunting and fishing) but did not retain the daily sales reports from DECALS to document the collections. She also did not always enter the collections into the accounting system which was used to generate monthly reports to the Supervisor. DEC automatically withdrew the State’s share of sporting licenses from the Clerk bank account based on the transactions recorded in DECALS. While most DEC withdrawals agreed with the DEC payments reflected in the monthly reports to the

Supervisor, we identified \$155 in withdrawals by DEC for transactions that were not reflected in the former Clerk's accounting system or monthly reports.

Based on the amount of the DEC withdrawals and the 5.5 percent local agent commission the Town receives for most types of licenses, we determined that the former Clerk did not record \$164 in sporting license sales in the accounting system. According to deposit compositions, the former Clerk received a \$15 check payment for a hunting license, which she deposited in her Clerk bank account.⁴ The remaining payments of \$149 were likely paid by cash.

DEC received its share of the sales revenues (\$155) through the automatic withdrawals from the Clerk bank account, but the former Clerk did not report or remit \$9 to the Supervisor for the Town's share of the revenues, as required. The former Clerk stopped selling sporting licenses in May 2020, so the DECAL system is no longer used.

Voided Cash Receipts – We identified additional discrepancies when reviewing voided transactions in the accounting system and comparing the code enforcement officer's and Highway Superintendent's (Superintendent) records to the former Clerk's cash receipts journal. The code enforcement officer approved building permit applications, and the former Clerk collected the related fees and provided the code enforcement officer with receipt copies. In addition, the Superintendent approved various permits, primarily for roadside work projects.

We found six permit transactions totaling \$769 that were recorded by the former Clerk in the accounting system and then voided, so the receipt amounts were not reflected in the cash receipts journal. Two receipts for building permit fees totaling \$266 were paid in cash. The remaining four receipts totaling \$503 were paid by checks, which were deposited into the Clerk bank account (three checks for building permits totaling \$203 and a check for a highway permit totaling \$300).⁵

We verified with the code enforcement officer and the Superintendent that the projects related to these six permits were in progress or had been completed. In addition, we reviewed the permit application files of the code enforcement officer, which included copies of receipt forms issued by the former Clerk evidencing that the former Clerk collected \$469 for building permit fees. The Superintendent told us he did not maintain receipts forms from the former Clerk for the permits he approved. Therefore, we were unable to complete a similar test for highway permits.

4 This \$15 check payment is not included in the checks totaling \$4,320 that were also deposited but not recorded. Because DEC received its share of this license sale, we handled this check separately in our accountability analysis.

5 These checks are not included in the \$4,320 in check collections that were deposited and not recorded.

Monthly Reports – Because the former Clerk did not properly record all the fees collected and improperly voided certain transactions, the monthly reports to the Supervisor were inaccurate and the former Clerk did not remit all funds to the Supervisor as required. In total, we identified \$5,346 in fees collected that were not included in the monthly reports to the Supervisor (Figure 3). While DEC received \$155 of fees for sporting license sales through automatic withdrawals, the former Clerk did not remit the remaining funds totaling \$5,191 to the Supervisor.

Figure 3: Fees Collected and Not Reported

Type of Transactions	Amount
Highway Permits	\$2,050
Zoning Variance Permits	1,018
Death Certificate Certified Copies	790
Building Permits	669
Dog Impoundment Fees	625
Sporting Licenses	164
Marriage License Certified Copies	30
Total	\$5,346

In addition, the former Clerk did not remit a payment of \$23 to DOH for a marriage license fee received in June 2021. This receipt was recorded in the accounting system and reflected in the monthly report to the Supervisor, but no check was paid to DOH, so the amount is still due.

Unidentified Balance as of January 1, 2018 – Prior to the former Clerk’s term of office, the Supervisor served as the Clerk. The Supervisor told us that the Clerk bank account has historically had an unidentified balance that dates to before she was the Clerk. The Supervisor said that she could not identify the make-up of this overage and to whom this money was owed, and the funds remained in the Clerk bank account when the former Clerk took office.

We reviewed December 2017 recorded transactions and bank activity and performed an accountability analysis as of December 31, 2017 to compare the known liabilities with the adjusted bank balance at that date. We determined that available cash exceeded known liabilities by \$512 when the former Clerk took office. Our review of bank activity and monthly reports to the Supervisor showed no evidence that the former Clerk remitted these unidentified funds to the Supervisor during her tenure. Therefore, she was still accountable for the funds as of our April 13, 2022 accountability analysis.

In total, the former Clerk collected \$5,191 in fees that were not properly remitted to the Supervisor – these are unrecorded liabilities still due to the Town. When these liabilities are combined with the \$512 in unidentified funds the former Clerk received upon taking office, \$1,713 in April transactions (which were properly recorded) and \$23 due to DOH, the former Clerk’s total known liabilities were \$7,439 as of April 13, 2022. However, her available cash was \$3,570 as of this date, resulting in a cash shortage of \$3,869.

The Board did not perform annual audits of the former Clerk’s records as required, so there was no oversight or review of her financial activity for several years. Had the Board performed this oversight function, it may have served as a theft deterrent and the Board could potentially have been able to prevent or detect the deficiencies identified in this report.

What Do We Recommend?

The Board should:

1. Perform an annual audit of the Clerk’s records as required.

The Clerk should:

2. Deposit all collections received intact and in a timely manner.
3. Maintain complete and accurate records that show all funds collected, from what source, for what purpose, and when they were deposited.
4. Report and remit all collections to appropriate parties in a timely and accurate manner.
5. Prepare monthly bank reconciliations and accountability analyses.
6. Only void transactions when appropriate and maintain supporting documentation for the voids.

Appendix A: Response From Town Officials

Town of Lincoln
6886 Tuttle Rd
Canastota, NY 13032

March 29, 2024

██████████
Principal Examiner
Office of the New York State Comptroller
Division of Local Government & School Accountability
PSU-CAP Submission
110 Albany, NY 12236

Dear ██████████,

The purpose of this letter is to acknowledge the Draft Report of the recent audit of the Town of Lincoln, entitled Town Clerk (2023M-31)

The Lincoln Town Board sincerely appreciates the time, effort, and professionalism demonstrated by the Comptroller's Auditors. We recognize the thoroughness and dedication they exhibited throughout the audit process.

Since 2022 the Town Board annually audits the Town Clerk's financial records. Our current Town Clerk deposits all collections received intact and in a timely manner. She also maintains complete and accurate records that show all funds collected, from what source, for what purpose, and when they were deposited. The current Town Clerk reports and remits all collections to appropriate parties in a timely and accurate manner. She prepares monthly bank reconciliations and accountability analyses. The Town Clerk only voids when appropriate and maintain supporting documents for the voids.

To ensure the Town's continued financial integrity and accountability, it is imperative that we uphold best practices moving forward (since 2022). By adhering to established guidelines and implementing more robust internal controls, we can safeguard taxpayer funds, mitigate risks, and maintain transparency in our operations. Upholding best practices not only fosters trust within our community but also ensures efficient and effective management of the Town's resources for the benefit of all stakeholders.

We appreciate the chance to address the recommendations outlined in the Draft Report. Our aim is for the Town's corrective action plan to meet your expectations and be deemed suitable and pertinent.

Sincerely,

Melissa During, Supervisor Town of Lincoln

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We conducted a cash count of the former Clerk's undeposited money on hand on April 13, 2022, to determine whether it agreed with the recorded collections and petty cash the Clerk had been assigned. We also prepared a bank reconciliation and accountability analysis as of this date to determine whether the corresponding assets agreed with the known liabilities.
- We interviewed Town officials to gain an understanding of the procedures related to collecting, recording, depositing, remitting, reporting and reconciling money collected by the former Clerk.
- We interviewed Board members to determine their oversight role over the Clerk operations and whether the Board conducted or initiated annual audits of the Clerk's receipts and disbursements.
- For January 2018 through March 2022, we compared the former Clerk's recorded collections to monthly reports to the Supervisor and traced the amounts remitted to the Supervisor and to outside agencies to the canceled check images and/or withdrawal payments to DEC reflected on the bank statements.
- To determine whether records were accurate and funds were deposited intact and in a timely manner, we compared the money collected and recorded as cash receipts in the accounting system to the deposits on bank statements and deposit compositions provided by the bank for the period January 1, 2018 through April 13, 2022.
- We reviewed collection records and bank activity for December 2017 and prepared a bank reconciliation and accountability analysis as of December 31, 2017 to determine the amount of unidentified funds in the Clerk account when the former Clerk took office.
- We reviewed all 42 voided transactions in the Clerk's cash receipt register to determine the validity of the voids.
- We reviewed the code enforcement officer's permit application files and compared the permit fees recorded in the code enforcement officer's log to the Clerk's cash receipt register and to deposits. We also reviewed highway permits approved by the Superintendent to identify payments made to the former Clerk.

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 Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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