



Town of Thurman

Garbage Bag Inventory and Collections

Report of Examination

Period Covered:

January 1, 2012 — June 30, 2016

2016M-399



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Local Officials and Corrective Action	3
GARBAGE BAG INVENTORY AND COLLECTIONS	4
Recording and Depositing Collections	4
Inventory Controls	7
Recommendations	8
APPENDIX A Response From Local Officials	10
APPENDIX B Audit Methodology and Standards	13
APPENDIX C How to Obtain Additional Copies of the Report	14
APPENDIX D Local Regional Office Listing	15

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2017

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Thurman, entitled Garbage Bag Inventory and Collections. This audit was conducted 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.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Thurman (Town) is located in Warren County and has a population of approximately 1,200 residents. The Town provides highway, court, transfer station and general governmental services to its residents. These services are financed mainly by real property taxes, sales tax and State aid.

The Town is governed by an elected five-member Town Board (Board) composed of the Supervisor and four Board members. The Board is responsible for the general oversight and control of the Town's operations and finances. The Supervisor serves as the Town's chief financial officer and chief executive officer and is responsible for the day-to-day management of the Town's financial operations.

The Town operates a transfer station and collects fees for garbage bag sales, the disposal of non-household garbage and construction and demolition waste. Town residents must purchase garbage bags (bags) from the Town to dispose of household waste at the Town's transfer station. Bags are available for sale at the transfer station or from the Town Clerk (Clerk). The Clerk is responsible for recording, depositing and reporting fees collected from the sale of bags.¹ In 2015, the Town reported revenue of \$15,954 from transfer station charges (\$11,135 for bag sales and \$4,819 in other fees).

Objective

The objective of our audit was to examine the Town's internal controls over garbage bag inventory and receipts. Our audit addressed the following related question:

- Did Town officials ensure all garbage bag inventory was properly accounted for and cash collections from bag sales were deposited into Town accounts intact and in a timely manner?

Scope and Methodology

We examined the internal controls over garbage bag sales and inventory for the period January 1, 2012 through June 30, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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

¹ There were two Town Clerks in office during our audit period. The second Clerk started in January 2016.

population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of Local
Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

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 the 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 Town Clerk's office.

Garbage Bag Inventory and Collections

A well-designed system of controls over cash collections requires that the Board establish policies and procedures for the timely supervision of those charged with handling money and a comparison of the amounts collected to corresponding bank deposits. New York State Town Law (Town Law) requires the Supervisor to deposit money received no later than 10 days after receipt. It is also critical that collections be deposited intact² and in a timely manner to reduce the risk of errors or irregularities. Detailed records and deposit tickets should be maintained for verifying that all collections are accounted for and deposited. Additionally, Town officials should develop and implement inventory control procedures to account for total bags purchased, distributed to Town officials/employees, sold and on hand at any point in time. These controls are particularly important since the bags have a cash value and therefore a high risk of theft.

The Board did not establish comprehensive written policies and procedures to adequately account for the unsold inventory and sale of bags or ensure that collections were deposited intact and in a timely manner. As a result, Town officials could not account for 17 cases containing 431 rolls of bags with an approximate sales value of \$6,100. Twelve of these cases valued at \$4,500 were distributed to the transfer station. Due to the lack of sufficient accounting records and Board oversight, we could not determine what happened to these bags, and Town officials could not provide any explanation.

Recording and Depositing Collections

The Clerk should have procedures to reconcile amounts received for bags from the transfer station attendant to total bags provided to the attendant less bags still on hand. She should also reconcile collections in her office with bags acquired less bags remaining in inventory. Once total collections have been reconciled, the Clerk should verify that amounts collected are equal to amounts deposited in her bank account and provide that information to the Supervisor.

Issuing duplicate press-numbered receipts (duplicate receipts) when no other adequate documentation of the collections is available, including duplicate receipts for cash remittances between Town departments, can help ensure that cash transactions are properly documented and recorded. For example, the Clerk should issue the transfer station attendant a receipt for amounts transferred to her for bag sales at the transfer station. Duplicate receipts should indicate

² Intact means the deposits are for the same amount and in the same form (i.e., cash, check, money order) as the collections.

when and from whom payment was received and the form of payment (i.e., cash or check) and include the signature of the person receiving the payment. A copy of the duplicate receipt and daily collection logs should be retained on file. Further, when collections are deposited, detailed deposit slips should be prepared and retained with the bank-validated deposit slip to ensure the composition of deposits agrees with the receipt documentation.

Bags sold by the Town are the only ones accepted at the Town's transfer station to dispose household garbage. The Town sells bags at the office of the Clerk and at the transfer station. The transfer station also collects fees for the disposal of nonkitchen garbage and construction and demolition waste. The transfer station attendants remit to the Clerk the moneys collected at the transfer station for the sale of bags and remit the remaining transfer station fees collected to the Supervisor's office for deposit. The Supervisor supplies the transfer station with a duplicate receipt book and daily cash log to record bag sales and all other transfer station fees collected. Duplicate receipts are issued to the transfer station for the collections remitted to the Supervisor and Clerk.

Since 2012, there have been five attendants,³ including the supervising attendant, who worked at the transfer station. The transfer station attendants are each responsible for remitting collections they receive to the Clerk; however, there is no set schedule for when these remittances are to be made. Since 2014, the supervising attendant has primarily handled all collections received at the transfer station. Monthly, the Clerk remits the bag fees she has collected and those remitted to her by the transfer station to the Supervisor, along with a count of the bags sold.

We found that collections from bags sold at the transfer stations were not remitted in a timely manner to the Clerk, and daily cash logs were not maintained or remitted with the collections. Further, duplicate receipts were not consistently issued for bags sold at the transfer station. As a result, we could not verify that total bag sales matched the remittance receipts that the Clerk issued to the attendant showing all moneys turned over to her. However, from the duplicate receipts, we identified all the cash collections received by the Clerk from the transfer station attendants from March 5, 2012 through August 18, 2016. While daily collection logs were not available to determine the exact period of time that collections were held prior to being remitted to the Clerk, the number of days between remittances indicated that collections were not being remitted in a timely manner. Since January 2012, the supervising attendant made 36 remittances

³ The supervising attendant worked at the transfer station during the entire audit scope period.

to the Clerk totaling \$28,060 that were made more than 10 days after the prior remittance. Town officials had no reasonable explanation for this delay since the supervising attendant generally came to Town Hall at least weekly to drop off his time sheet and landfill fee collections to the Supervisor's bookkeeper. For example, during 2015, the attendant made three remittances to the Clerk. On March 16, 2015, he remitted \$2,010, including \$1,890 in cash; 94 days later, on June 18, he remitted \$2,040 including \$1,900 in cash; 152 days later, on November 17, he remitted \$3,060 including \$2,850 in cash. According to the supervising attendant, he was not instructed to make remittances in a timelier manner. The other attendants' remittances also were not always timely, but the delays were not as excessive.

In addition, cash collected and maintained at the transfer station was not properly secured or accounted for. The supervising attendant told us he takes the daily collections home and keeps them in a lock box between remittances. We conducted two cash counts at the transfer station of moneys on hand. During the first cash count the supervising attendant had \$130 on hand that could not be tracked to his daily cash log. During our second cash count, a week later, the supervising attendant had \$280 that could not be traced to the daily cash log. The supervising attendant informed us that on the weekend subsequent to our second cash count, he found an additional \$150 in his cash box at home that he could not account for, totaling \$280 in cash unaccounted for on his cash logs. The discrepancies at the transfer station occurred because the Supervisor and Board did not provide sufficient oversight of cash collections at the transfer station, such as requiring duplicate receipts and daily cash logs to be remitted with daily collections and periodically reconciling collections recorded with deposits made. Also, the Clerk did not have procedures in place to reconcile the number of bags provided to the transfer station attendant with the remaining inventory of bags and cash collections remitted to the Clerk.

Once money was remitted from the transfer station to the Clerk, the collections were properly receipted, recorded and deposited in a timely manner. We examined the Clerk's records from February 29, 2012 through August 18, 2016 and found duplicate receipts were issued to the attendant and sales were recorded in the Clerk's daily collection report. However, we could not determine if all deposits were made intact because the Clerk did not always retain a copy of the detailed deposit slip.

Other transfer station fees that the transfer station attendants remitted to the Supervisor's office from January 1, 2015 through June 30, 2016 were generally remitted weekly with a copy of the supporting daily collection log, and deposits were made intact by the Supervisor's office

within a week of the remittance. However, the daily collection logs were manual listings that lacked corresponding duplicate receipts; therefore, this control weakness increases the risk that additional fees could be collected at the transfer station and not recorded on the log or reported to the Supervisor.

Inventory Controls

It is essential to maintain a current inventory of all bags in stock, by location, since they are sold at both the Clerk's office and the transfer station. An accurate inventory allows the Town to ensure that all bag sales are accounted for. A day's beginning inventory less the day's ending inventory should be equal to the sales for the day. Other factors, such as purchases made to replenish the inventory and adjustments for damaged bags, should be considered in calculating the number sold. An up-to-date inventory record can also help Town officials to monitor sales operations more effectively and guard against theft of collections from the sale of bags or actual bags in stock. Additionally, the unsold inventory of bags on hand at the transfer station and Town Hall should be properly safeguarded to prevent theft.

The Clerk maintains the inventory of bags at Town Hall and supplies the transfer station with bags as needed for sale. The cases of unsold bags at Town Hall are stored in the records room. According to the Clerk, the records room is kept locked and she is the only person with a key. The Clerk and her deputy each keep a small inventory of bags for sale at Town Hall. After hours, these bags are secured in the locked offices. However, the bags provided to the transfer station are not adequately secured during the hours of operation and are stored in an open box on a table at the transfer station in a small one-room building. The transfer station is open three days a week and the transfer station building is locked when the transfer station is closed. However, according to the transfer station attendant, the highway garage staff have keys to the transfer station building and would sometimes have lunch there.

The Town generates revenues of approximately \$10,000 annually in bag sales at \$20 a roll for large bags and \$10 a roll for small bags. We found the Town does not have procedures for comparing inventory records of bags purchased to those sold and on hand. Periodically, the Clerk will count the number of cases on hand for the purpose of notifying the Supervisor and Board when bags need to be purchased to replenish inventory.

We reviewed the purchases and sales of garbage bags from January 1, 2012 through August 10, 2016. According to Town records, 82 cases of large bags (2,050 rolls) and 130 cases of small bags (3,000 rolls) were purchased, and 1,578 large-bag rolls and 1,652 small-bag rolls were sold. Therefore, there should have been an inventory of 472

large-bag rolls and 1,348 small-bag rolls on hand. However, our count of all garbage bags on hand at Town Hall and the transfer station on August 10, 2016 showed there were 293 large-bag rolls and 1,096 small-bag rolls on hand, resulting in a discrepancy of 179 large-bag rolls and 252 small-bag rolls (totaling 431 rolls, or 17 cases) with a sales value of approximately \$6,100.

Of these 431 missing rolls, 305 were unaccounted for at the transfer station. We compared the number of cases of large bags supplied to the transfer station since February 2012 (the date bags became available for sale at the transfer station) to collections from bag sales remitted to the Clerk and the bags on hand at the transfer station as of August 17, 2016. We found that 150 large-bag rolls and 155 small-bag rolls supplied to the transfer station could not be accounted for. These 305 rolls have an approximate sales value of \$4,500.

Town officials provided little oversight of the bag inventory and the collections from bag sales. No one periodically reconciles bags purchased to those sold and on hand with the Clerk and at the transfer station. Also, no one compares the inventory of bags provided to the transfer station to the moneys remitted. Further, the supervising attendant does not keep a running inventory of bags provided by the Clerk to those sold and on hand. Town officials had no explanation for what happened to the \$4,500 in bags provided to the transfer station or the remaining \$1,600 in unaccounted-for bags. Had the Supervisor, Board and Clerk provided greater oversight of bag inventory and collections at the transfer station, the discrepancies we observed could have been prevented or detected and not allowed to continue.

Recommendations

The Board should:

1. Adopt written policies and procedures that include collection procedures for recording and remitting collections received at the transfer station to ensure all cash receipts are properly accounted for and remitted to the Supervisor's bookkeeper or the Clerk intact and in a timely manner.
2. Ensure that a daily inventory count, cash logs and duplicate receipts are remitted together with the cash collections turned over to the Clerk and the Superintendent by the transfer station attendants. Voided receipts should also be turned over and logged.
3. Ensure that moneys collected from bag sales at the transfer station are remitted weekly to the Clerk and that unsold bags are inventoried and reconciled with sales.

4. Secure all inventory of bags, maintain and review monthly inventory records and perform periodic audits of inventory.
5. Provide a safe or other appropriate storage facility for cash collections and garbage bags at the transfer station or require bags and collections to be stored at Town Hall each night.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

Jeffrey P. Leonard, Chief Examiner
One Broad Street Plaza
Glens falls, New York
12801-4396



Town of Thurman
PO Box 29
311 Athol Road
Athol, New York
12810

February 24, 2017

Dear Jeffrey P. Leonard:

The current Town Board of the Town of Thurman agrees with the findings of the audit of the Town of Thurman Garbage Bag Inventory and Collections.

Trash pick up in Thurman was discontinued in 2011 and the town board decided to buy orange garbage bags to sell to town residents to be used for trash taken to the landfill. The town board purchased the garbage bags but had no policy in place to receive them and no one was told when they would be arriving. The bags were delivered to the highway department and then left unattended and unsecure for an unknown amount of time. There was no inventory taken of the garbage bags when they were received. The bags were then moved to the records room and locked up.

The town board had no policy or procedure in place for the handling and selling of the garbage bags from the town hall or the the handling and selling of the garbage bags from the landfill. The extent of the town board conversation regarding selling garbage bags at the town hall can be found on page 2 of the 01-30-12 workshop minutes which reads as follows "Councilman Vasak asked about selling of garbage bags. Supervisor Wood said that the bags will be sold out of the town clerk's office and when she isn't there the other office can sell bags". The town board did not have any discussion regarding selling of garbage bags at the landfill. The only mention of the landfill selling garbage bags can be found on page 3 of the 07-10-2012 regular meeting minutes in RESOLUION #35 a resolution to establish petty cash.

The current town board has decided to switch from garbage bags to stickers for garbage bags taken to the landfill. We will purchase a safe to hold the stickers at the landfill. The safe will be bolted down in the landfill building and kept locked in order to keep the stickers secure. The stickers will also be secured in the clerk's office by keeping them in a fire proof locked file cabinet.

The current town board is working on a standard operating procedure for the stickers.

- We will have a procedure in place for receiving the stickers.
- We will have a procedure in place for daily inventories of stickers.
- We will have a procedure in place for sales of stickers.
- We will have a procedure in place for stickers sold at the landfill.
- We will have a procedure in place for deposits for monies taken in from sales of stickers.

The Town Board of the Town of Thurman believes in teamwork. We will have discussion at meetings and all will be involved in decision making. Accountability and transparency to the public is paramount.

Respectfully,

Cynthia Hyde
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed and observed Town officials and employees in order to understand and assess the process by which bag revenues are collected, recorded and deposited.
- We conducted two cash counts to determine how much cash and checks were on hand at the transfer station in comparison to daily collection records.
- We reviewed the records prepared by the Clerk and at the Town's transfer station documenting the sale of bags.
- We compared the bags purchased for sale since January 2012 to bag sales and remaining bags on hand at Town Hall and at the Town's transfer station as of August 17, 2016.

We conducted this performance audit in accordance with 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.

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