



Town of Fishkill

Apparent Misappropriation of Senior Center Funds

Report of Examination

Period Covered:

January 1, 2011 — March 31, 2013

2013M-246



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2014

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 Fishkill, entitled Apparent Misappropriation of Senior Center Funds. 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 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Fishkill (Town) is located in Dutchess County and serves approximately 22,100 residents. The Town Board (Board) is the legislative body responsible for managing Town operations. The Town Supervisor (Supervisor) is a member of the Board and serves as the chief executive officer. The Town Comptroller (Comptroller) is responsible for receiving, disbursing and maintaining custody of Town moneys, maintaining accounting records and providing financial reports to the Board.

The Town offers various recreational activities to Town residents through its Recreation Department (Department). The Department collects money from the Senior Center (Center) for food, coffee, bingo games, day trips and overnight trips. The Department also collects money for youth programs and gym fees. The Department reported revenues for the years 2011 and 2012 of \$315,222 and \$383,957, respectively. The Recreation Director (Director) is in charge of the Department, along with two full-time assistants.¹

This report has been referred to the Dutchess County District Attorney.

Scope and Objective

The objective of our audit was to review the Center's financial activity and assess the Board's oversight of the Center for the period of January 1, 2011 through March 31, 2013. We extended our review of the Center's financial activities back to January 1, 2008. We also extended the scope of the audit forward to September 2013 to assess the Center's cash receipts. Our audit addressed the following related questions:

- Did the former Director properly account for Center funds?
- Did the Board and Town officials provide oversight of the Center's financial operations?

Audit Results

Although the former Director properly accounted for some Department funds, she did not properly account for funds associated with the Center's operations. Just before the former Director officially retired, \$21,526 of unsecured cash (\$19,732) and checks (\$1,794) was found in a Department file cabinet. Of this amount, \$4,003 was in a sealed envelope and appeared to be ready to be remitted to the Comptroller. There was no indication that the remaining \$17,523 would be remitted to the Comptroller.

¹ The Director retired in May 2013, shortly after we began fieldwork.

The former Director also opened an unauthorized bank account in 2004 which the Board was not aware of, deposited Center funds in the account and wrote questionable checks from that account for Center activities. In addition, the former Director paid for overnight trips for Center members with her personal credit card and subsequently wrote checks to her husband for reimbursement of the payments, for which the former Director's husband was overpaid approximately \$3,743. The former Director and her husband also did not pay \$4,567 for the trips which they participated in.

The former Director did not issue press-numbered receipts or properly account for moneys received. Payments were made without supporting documentation and items were purchased that do not appear to have been used for Center activities.

The former Supervisor and the Board did not provide adequate oversight of Center operations. The former Supervisor did not require the former Director to submit monthly reports of moneys collected. The Board did not ensure that the former Director's duties were properly segregated. In addition, the Board did not include the Center's revenues and expenditures in the Town's annual budget or oversee the Center's operations. As a result, it appears that Center funds were misappropriated without detection by Town officials.

Comments of Local Officials

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 have initiated corrective action.

Introduction

Background

The Town of Fishkill (Town) is located in Dutchess County and serves approximately 22,100 residents. The Town Board (Board) is the legislative body responsible for managing Town operations. The Town Supervisor (Supervisor) is a member of the Board and serves as the chief executive officer. The Town Comptroller (Comptroller) is responsible for receiving, disbursing and maintaining custody of Town moneys, maintaining accounting records and providing financial reports to the Board.

The Town offers various recreational activities to its residents through its Recreation Department (Department). The Department collects money from the Senior Center (Center) for food, coffee, bingo games, day trips and overnight trips. The Department also collects money for youth programs and gym fees. The Department reported revenues for the years 2011 and 2012 of \$315,222 and \$383,957, respectively.

The Board appointed the Recreation Director (Director) in September 1998. The Director's duties include, but are not limited to, planning, developing, organizing and implementing a variety of recreational programs for the Town's residents. The Director² is also responsible for the Center's financial activities.

This report has been referred to the Dutchess County District Attorney.

Objective

The objective of our audit was to review the Center's financial activities and assess the Board's oversight of the Center. Our audit addressed the following related questions:

- Did the former Director properly account for Center funds?
- Did the Board and Town officials provide oversight of the Center's financial operations?

Scope and Methodology

We examined the Center's financial activities for the period January 1, 2011 through March 31, 2013. Because of irregularities, we extended our review of financial activities back to January 1, 2008. We also extended the scope of the audit forward to September 2013 to assess the Center's cash receipts.

² The Director retired in May 2013, shortly after we began fieldwork.

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 is included in Appendix B of this report.

**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 have initiated 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.

Senior Center Financial Activities

The Director is a full-time Town employee in charge of the Department, with duties that include planning and implementing a variety of recreational programs and managing the Center's financial activities. According to the Civil Service job description, the Director's work is performed under the general direction of the Board, the Supervisor or local committees. General Municipal Law (GML) requires the Director to issue receipts to persons making payments and to retain copies of the receipts for audit. Town Law requires the Director to submit moneys received to the Comptroller and submit monthly reports of financial activities to the Supervisor.

Although the former Director properly accounted for some Department funds, she did not properly account for funds associated with the Center's operations. The day before the former Director officially retired, \$21,526 of unsecured cash (\$19,732) and checks (\$1,794) was found in a Department file cabinet. Of this amount, \$4,003 was in a sealed envelope and appeared to be ready to be remitted to the Comptroller. There was no indication that the remaining \$17,523 would be remitted to the Comptroller.

The former Director opened an unauthorized bank account in 2004 which the Board was not aware of, deposited Center funds in the account and wrote questionable checks from that account for Center activities. In addition, the former Director paid for overnight trips for Center members with her personal credit card and subsequently wrote checks to her husband for reimbursement of the payments, for which the former Director's husband was overpaid approximately \$3,743. The former Director and her husband also did not pay \$4,657 for the trips which they participated in. The former Director did not issue press-numbered receipts or properly account for moneys received. Payments were made without supporting documentation, and items were purchased that do not appear to have been used for Center activities. These activities occurred because the Board did not provide adequate oversight of the Department's financial activities.

Unsecured Cash

Town Law requires all moneys collected to be deposited within 10 days of receipt. However, sound business practice would suggest more frequent deposits when large amounts of cash have been received, to avoid the risk of loss or theft.

On the day before the former Director's official retirement date, Department employees found funds totaling \$21,526 in an unsecured Department file cabinet. Of that amount, \$4,003 was in a sealed bank

envelope with \$2,209 in cash and \$1,794 in checks made out to the Department. The sealed bank envelope indicated the funds had been prepared to be brought to the Comptroller to record and deposit. The remaining \$17,523 in cash was in envelopes with notes attached indicating the source of the funds which totaled \$7,586 was from the Center and \$9,937 for other various recreational activities such as open gym and youth programs.

Because the \$17,523 of cash was not in a sealed envelope, there was no evidence that it was going to be remitted to the Comptroller.³ Town officials did not require that moneys received be remitted daily to the Comptroller. As a result, the former Director was able to accumulate and leave moneys in an unsecured file cabinet. Town officials now require all money received by the Department to be remitted to the Comptroller daily.

Unauthorized Checking Account

Town Law requires that the Board designate the bank in which all Town moneys are deposited. In addition, all Town bank accounts should be established by the Comptroller and require dual signatures.

The former Director opened an unauthorized checking account in June 2004, without the knowledge and approval of the Board, to be used specifically for Center activities.⁴ The former Director added signatories to the account who were not Town employees.⁵ The bank statements were mailed to the Town Hall and addressed to the Center. Even so, Town officials had no knowledge of the account for almost 10 years. In April 2013, the Supervisor discovered and closed the account, which had a \$197 balance.

We subpoenaed bank records for the period 2008 through 2012 to determine how much was deposited into the account and how much was expended. During this five-year period, \$210,402 was deposited into the unauthorized bank account. Checks totaling \$209,626 were cashed. Because Town officials were not aware of this unauthorized bank account, the former Director could make disbursements from this account without the audit or review of claims by the Comptroller or the Board. Checks totaling \$118,905 were issued to a tour bus company for bus trips and admissions to events. Checks and charges totaling \$17,084 appear to be reimbursements for canceled trips, bank fees and other trip expenses.

³ Sealed envelopes are used to remit funds to the Comptroller for deposit.

⁴ Revenues not related to the Center were remitted to the Comptroller's office, and expenditures not related to the Center were paid by the Comptroller's office.

⁵ The signatories were two Center members at two separate times.

In addition, checks totaling \$69,682⁶ were written to the former Director's husband, \$1,638 were written to the former Director and \$2,317 were written to cash. According to the former Director, the checks written to her husband were for reimbursements for charges on her personal credit card for bus trips. No supporting documentation was provided to support that checks written to the former Director and for cash were for Center activities. All of the above checks, totaling \$73,637, were endorsed and deposited into the former Director's personal bank account.

Reimbursements to Spouse

Town Law requires that all claims against the Town be audited and approved by the Comptroller who then makes disbursements to pay approved claims. The former Director used the unauthorized checking account to pay for trips and to reimburse herself and her husband for charges made on her personal credit card instead of submitting claims to the Comptroller.

During 2011 and 2012,⁷ the former Director organized three large overnight trips for Center members, which consisted of two cruises and one trip to Las Vegas. The former Director used her personal credit card to pay the travel agencies that arranged the trips and then reimbursed her husband⁸ for the charges using the unauthorized checking account. The former Director was unable to provide us with invoices for these trips; therefore, we subpoenaed the information from the travel agencies involved and obtained documentation.

In total, the former Director reimbursed herself \$3,742 more than was paid for these trips and she and her husband did not pay \$4,657 in personal fees for the trips.

- The former Director charged \$65,730 on her credit card for the three overnight trips. The former Director issued 13 checks totaling \$68,689 to her husband as reimbursement for these charges. Therefore, the former Director overpaid her husband \$2,959.
- The credit card company subsequently credited the former Director's account \$4,221 for trip cancellations. The former Director's husband in turn issued a personal check to the Center for \$3,438, instead of the full \$4,221, thereby profiting by an additional \$783.

⁶ The \$69,682 includes \$68,689 for trip reimbursements (as discussed later in the report) and \$993 for miscellaneous items.

⁷ Payment transactions for these trips took place throughout 2010, 2011 and 2012.

⁸ Although the credit card that was used to pay the travel agencies was in the former Director's name, the reimbursement checks were issued to the Director's husband.

- The former Director and her husband participated in these trips; however, the only evidence of their payment for the trips was a \$400 personal check the former Director's husband remitted to the Center. Therefore, the former Director and her husband did not pay the Center \$4,657 for the remaining costs for the three trips.

Recordkeeping

GML requires that all employees receiving money issue a receipt to the payee and maintain records to account for cash receipts. In addition, it is important that an adequate record of cash receipts and disbursements is maintained so operations can be monitored.

The former Director did not issue receipts for cash collected, did not deposit daily collections in the bank and did not keep adequate records of collections for the Center. Instead, the former Director recorded some cash collections on various pieces of paper and kept the funds in the Department office. The former Director also made cash purchases and disbursed funds without maintaining records and supporting documents. As a result, there is a high risk that Center funds could have been misappropriated.

Daily Receipts – The former Director collected money at the Center for food, coffee, bingo games, day trips and overnight trips. The former Director did not issue receipts for any moneys collected and did not remit money to the Comptroller or provide reports to the Supervisor. Therefore, Town officials have no reliable record of collections and no evidence that all money collected was deposited in the Center's unauthorized checking account. We found daily collection amounts written on pieces of paper; however, Town officials have no assurance that all amounts collected were recorded. We found 66 documents relating to 2011 indicating that there were receipts totaling \$9,118 and 52 documents for 2012 indicating receipts totaling \$12,460.

Disbursements – We also found receipts for store purchases which included both cash purchases and purchases made with the former Director's credit card. The receipts for 2011 and 2012 cash purchases totaled \$11,147 and the credit card receipts totaled \$5,107. However, Town officials have no assurance that these receipts were for items purchased for the Center. For example, we found receipts for baby items, wine, a desk (not located at the Center), patio furniture, lunch for an employee's birthday, miscellaneous lunches and a keyboard (not for use at the Center).

Because the former Director's recordkeeping was inadequate and she operated the Center without any oversight from the former Supervisor or Board, there is a high risk that funds were misappropriated.

Day Trips – The former Director organized eight day trips during 2012 for Center members. The cost for these trips totaled approximately \$24,200. The Town contributed approximately \$4,800 to cover the cost of the bus transportation for the trips. Therefore, the actual cost of the trips to Center members totaled \$19,400. However, available records show that the Director collected \$14,000 from the Center members for the bus trips resulting in a difference of \$5,400. The former Director could not explain where the \$5,400 came from to cover the cost of the trips.

Cost of Trips ^a	\$24,200
Town Contribution	(\$4,800)
Center Cost	\$19,400
Member Collections	(\$14,000)
Un-accounted For Costs	\$5,400
^a Per accounting records provided to us by the former Director	

We also found that the former Director permitted some Center members to go on the trips for free. The former Director could not provide us with a record of collections of funds and free trips given for two of the eight trips. However, the records for the other six trips show that, in addition to the former Director receiving free trips, 23 trips were given to six different Center members and two Department staff. The value of free trips for 2012 was \$1,345. Essentially, other seniors and the Town were funding the free trips for the former Director, certain Center members and staff.

The former Director explained that she permitted certain Center members to go on trips without paying because they volunteered at the Center. Furthermore, she explained the shortage in the collection of moneys for the trips was balanced out by money left over from other activities. The former Director could not provide us with any documentation to support this statement or to show how much in total was collected for day trips.

Moneys received by the Center were not recorded in the Town’s accounting system until May 2013, shortly after we began the audit and after the former Director retired. Due to the lack of any collection records prior to May 2013, Town officials cannot determine the actual amount of unaccounted-for Center funds. However, for the five-month⁹ period after the former Director retired, the Comptroller

⁹ We obtained cash receipt information for the Center from the Comptroller for May through September 2013 to estimate the total amount of annual receipts.

received a total of \$21,060 in receipts for the Center’s activities, or an average of \$4,212 per month and approximately \$50,544 annually.¹⁰ For 2011 and 2012, we identified collections of \$13,167 and \$19,776, respectively, from bank statements and canceled checks for receipts from day trips. We assumed that the checks written for the day trips were the total collections for the trips. Because there are no records of other collections, we assumed that the vendor payments for 2011 and 2012 were at least the minimum amount of reported collections for those expenditures totaling \$11,213 for 2011 and \$11,733 for 2012. Based on these assumptions, we calculate that the unaccounted-for funds for the Center could be as much as \$26,164 in 2011 and \$19,035 in 2012.

	2011	2012
Collections for Day Trips	\$13,167	\$19,776
Collections Based on Vendor Payments	\$11,213	\$11,733
Total Estimated Collections	\$24,380	\$31,509
Projected Revenue	\$50,544	\$50,544
Estimated Amount of Unaccounted-For Funds	\$26,164	\$19,035

Recommendations

1. The Board and Town officials should review all reimbursements made to the former Director and her husband and take steps to recover any overpayment of funds.
2. The Board should review all checks that were made payable to cash and take steps to recover any funds not used for legitimate Center purposes.
3. The Board should require that the Department maintain sufficient records of all receipts and disbursements and that all Department financial transactions be conducted through the Comptroller.
4. Town officials should ensure that all money collected is properly receipted and remitted to the Comptroller in a timely manner.

¹⁰ We did not include any revenue from overnight trips because the Center is currently not conducting any overnight trips.

Oversight

The Board and the Supervisor are responsible for establishing a system of internal controls to provide reasonable assurance that cash and other resources are properly safeguarded and that transactions are authorized and properly recorded. Each department head is required to report to the Supervisor monthly the collections made by the department.

The former Supervisor and the Board did not provide adequate oversight of Center operations. The former Supervisor did not require the former Director to submit monthly reports of moneys collected. The Board did not ensure that the former Director's duties were properly segregated. In addition, the Board did not include the Center's revenues and expenditures in the Town's annual budget or oversee the Center's operations. As a result, it appears that Center funds were misappropriated without detection by Town officials.

Supervisor Oversight

According to Town Law, all employees are required to submit to the Supervisor a monthly statement of all moneys received. Unless such a statement, along with the payment, is made, the officer or employee shall not be paid any further portion of his or her salary until a statement is submitted.

The former Supervisor did not require compliance with Law. The former Director did not submit statements of moneys collected but no action was taken by the former Supervisor. In addition, the former Director did not follow the Town's prescribed cash disbursement system in which the Comptroller approves all claims prior to payment. The unauthorized bank account allowed her to issue checks without detection.

Board Oversight

The Board is responsible for establishing internal controls to ensure that cash is properly safeguarded. This includes segregating duties so that no individual controls all aspects of financial transactions or that compensating controls are implemented to mitigate risk, as necessary.

The Board did not establish adequate internal controls over the Center, including segregation of the former Director's duties. The former Director controlled all aspects of cash collection and disbursement at the Center without mitigating controls and oversight. She collected cash from seniors for the Center activities and provided no accounting of the moneys collected. The former Director organized numerous activities and trips throughout the year for the Center without Board approval and without an accounting of moneys collected and

disbursed. In addition, the Board approved annual Town budgets that did not include revenues and expenditures for the Center. In effect, the Board had no idea how much revenue the Center collected or how much it cost the Town to run the Center.

The former Director's unauthorized bank account was not detected because the Board did not provide adequate oversight of the former Director and the Center's financial activities. The Board did not question how the Center's activities were being financed or require the former Director to provide an accounting of the Center's financial activities.

Recommendations

5. The Supervisor should ensure that the Director submits statements of moneys received by the fifteenth of each month following receipt of the money. If the Director does not provide the statements, the Supervisor should take appropriate action to ensure compliance.
6. The Board should segregate the duties of the Director, or provide additional oversight, to ensure that all money collected is accounted for.
7. The Board should ensure that the Director communicates the financial results and status of all programs to the Board through written reports.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

Robert P. LaColla
Supervisor
E-mail: supervisor@fishkill-ny.gov
(845) 831-7800 Ext. 3309
(845) 831-6040 Fax



Fishkill Town Hall
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January 22, 2014

Ms. Tenneh Blamah
Chief Examiner of Local Government and
School Accountability
State of New York, Office of State Comptroller
110 State Street
Albany, New York 12236

RE: Response to Town of Fishkill Apparent Misappropriation of Senior Center Funds Report of Examination for the Period January 1, 2011 – March 31, 2013

Dear Ms. Blamah:

I want to express our gratitude to the New York State Comptroller's Office and the team of auditors and investigators sent to Fishkill. Since taking office in 2012, the focus of this Administration is to uncover the true conditions of the Town's finances, set appropriate rates for programs and services and develop and maintain internal controls to assure its residents that all funds are properly accounted for. The diligence of the investigative team has helped to facilitate the Town Administration's efforts to uncover and correct long-standing problems of the past.

Please be advised this correspondence will also serve as the Town of Fishkill's Corrective Action Plan (CAP). We have reviewed the preliminary draft findings related to the Report of Examination of the Town of Fishkill and offer our response as follows:

The Town generally agrees and acknowledges that the former Supervisor and Town Board did not provide adequate oversight of the Recreation Center's operations, did not require the former Director to submit monthly reports of moneys collected, did not ensure that the former Recreation Director's duties were properly segregated and that the Board did not include the Recreation Department's program revenues and expenditures in the Town's annual budget. The apparent misappropriation of funds went largely undetected until an internal review and analysis of the 2011 and 2012 Recreation programs' revenues and expenditures was done in April 2013. The discrepancies and consequent discovery of the unauthorized bank account for Senior Center funds were provided to the State Comptroller's Office and to the Town's independent auditors.

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Recommendation #1

The Board and Town Officials should review all reimbursements made to the former Director and her husband and take steps to recover any overpayment of funds.

Recommendation #2

The Board should review all checks that were made payable to cash and take steps to recover any funds not used for legitimate Center purposes.

Response to #1 and #2

The Town has referred all information to the Dutchess County District Attorney's office. The DA's office is investigating this matter. We have been in contact with their office and they have expressed confidence that the funds will be recovered. In the event that the funds cannot be fully recovered from the former Director, the Town has also filed a claim with its insurance carrier under its crime policy. The Town has established a designated petty cash account, under the control of the Town Clerk, for miscellaneous cash reimbursements eliminating the need for checks made payable to cash.

Recommendation #3

The Board should require that the Department maintain sufficient records of all receipts and disbursements and all Department financial transactions be conducted through the Town Comptroller.

Response

Purchase orders and vouchers are used for all recreation expenditures and are approved by the Supervisor and Comptroller prior to payment. All vendor payments are processed through the Town's accounts payable system. Incidental purchases are now made through accounts with local vendors who bill monthly.

Recommendation #4

Town officials should ensure that all money collected is properly receipted and remitted to the Town Comptroller in a timely manner.

Response

All cash collected at the Recreation Center is reconciled and submitted to the Town Clerk's office on a daily basis and deposited in the Town's General Fund account. The Town has also implemented the use of credit card acceptance for recreation program payments to reduce the amount of cash collected. A petty cash account was established, under the control of the Town Clerk, to be used for miscellaneous cash reimbursements with back-up documentation.

- continued -

Recommendation #5

The Supervisor should ensure that the Director submits monthly statements of moneys received by the Fifteenth of each month following receipt of the money. If the Director does not provide the statements, the Supervisor should take appropriate action to ensure compliance.

Response

As stated before, all cash collected at the Recreation Center is reconciled, reported and submitted to the Town Clerk's office on a daily basis and deposited in the Town's General Fund account in a timely manner.

Recommendation #6

The Board should segregate the duties of the Director, or provide additional oversight, to ensure that all money collected is accounted for.

Response

The new Recreation Director has been instructed by the Comptroller and Supervisor regarding proper budgeting, internal controls, and cash handling and reporting.

Recommendation #7

The Board should ensure that the Director communicates the financial results and status of all programs to the Board through written reports.

Response

The Town is in the process of establishing a policy for the new Director to report the financial results and status of seasonal programs on a quarterly basis. Because the former Director did not prepare and submit accurate program budgets, we were unable to capture the true revenue and expenditures for each of the recreation programs. Hence, any year to year analysis had been difficult in the past but the Town is working towards making that part of the annual year-end process.

The Town of Fishkill once again would like to express its gratitude to the State for assisting with its investigation of the former Director's misappropriation of Senior Center funds. This report confirms that what initially appeared to be a small inconsistency in the Department's procedures and reporting was a misuse of funds from the seniors who paid to participate in the programs. Upon your

- continued -

acknowledgement of the combined response meeting the CAP requirements, the Town Board will officially approve the Corrective Action Plan and make it available for public inspection on the Town of Fishkill's website and at the Office of the Town Clerk.

Respectfully,

Robert P. LaColla
Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review the former Director's accounting for funds related to the Senior Center's operations and the Board's oversight of the Recreation Department's financial operations for the period January 1, 2011 through March, 2013. Because of irregularities, we extended our review of financial activities back to 2008.

During our initial review of the Town's financial operations, the Supervisor discovered that there was an unauthorized bank account at the Recreation Department that was unknown to the Board. After this was brought to our attention, we reviewed the information that Town officials provided, determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected the financial operations of the Center and Board oversight for further review. To accomplish our audit objectives and obtain relevant audit evidence, our procedures included the following:

- We reviewed all available accounting records for the Center.
- We interviewed the former Director prior to her retirement.
- We reviewed 426 store receipts and calculated the collection amounts on 118 pieces of paper.
- We interviewed the Supervisor to determine if the former Director was reporting to the Comptroller, Supervisor or the Board.
- We subpoenaed Town bank records, the former Director's personal bank account and credit card records, and travel agencies records for the period January 1, 2008 through March 31, 2013.
- We contacted Board members and inquired as to their involvement with the Recreation Department's financial operations.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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AND SCHOOL ACCOUNTABILITY

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Gabriel F. Deyo, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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