

Village of Chatham

For Public Release

August 17, 2018

Questions have arisen from members of the public in relation to Village finances and financial procedures, recording, and oversight. The Board of Trustees wishes to provide the following information in relation to recent and ongoing actions taken by the Village in relation to such matters.

The Village's accountant Bob Patterson, has, in recent weeks, been reviewing Village finances, transactions, and record keeping for the period going back approximately two years. This review does not purport to be comprehensive, but has addressed areas considered to have vulnerabilities or where potential problems were believed to have been observed.

The most substantial matters of concern that have been identified to date are statements from the U.S. Internal Revenue Service (IRS) stating that certain past tax payments (such as payroll taxes) owed by the Village to the IRS were outstanding and also imposing penalties and interest upon the Village. These statements show a balance of \$52,104.07 in actual taxes that the IRS indicates should have been paid, which represents what the Village should have paid in taxes in any case. Village accountant Patterson advises us that to his knowledge, those funds were not missing, but would have been held in the Agency account for payroll and disbursements. Thus, they do not constitute a new or unexpected cost or burden to the Village. The issue in regard to the principal amount of \$52,104.07 is one of timing, not amount. Much of this has now been paid.

In addition, however, the Village is also required to pay interest charges of \$2,333.36, which our accountant has advised cannot be waived by the IRS. The statements further identify penalties imposed upon the Village, in the amount of \$22,986.88, which the Village is requesting to have waived. Therefore the excess costs imposed upon the Village are somewhere between \$2,333.36 (if only interest is required to be paid) and \$26,020.24 (if the IRS refuses to waive or reduce any penalties).

(There is one additional statement indicating a "balance on account" for one subject period of \$4,565.68. The statement does not specify whether the amount is the tax amount outstanding or also includes penalties.)

The Village, through its accountant, is working with the IRS to verify the correctness of the IRS claims and to pay tax amounts and interest actually owed, and is seeking to obtain a reduction or waiver of the penalty amounts. To the extent the IRS statements are correct, the Village is also working to determine how and why required payments or filings were not timely made.

Accountant Patterson has also reviewed other Village financial matters. Some other possible discrepancies in record-keeping documents have been found, but these have generally not exceeded amounts in the hundreds of dollars. Furthermore, to the extent any discrepancies appear in records, they are not necessarily indicative of erroneous or improper transactions. The Village is continuing to inquire into such questions. While consistency and perfect reconciliation of all financial records and transactions is the objective and steps are being implemented toward achieving this, it is also important to be clear that other than the tax matters, nothing that has been reviewed or found to date indicates any substantial financial liability or exposure to the Village and its taxpayers.

In addition to the above, an auditor from the Office of the New York State Comptroller visited the Village offices for several days in July. The Comptroller's office has all of the information referred to above and was provided with other relevant Village financial records. According to the Village accountant, the Comptroller's Office may, based upon this preliminary review and inquiry, prescribe further inquiry—including an audit—if they find it to be warranted.

In the meantime, the Village is implementing steps to improve financial oversight and record-keeping, including the following:

- 1) All invoices are to be approved at the department level, abstracted by the CPA Treasurer, reviewed and approved by the Board of Trustees, and printed checks to be reviewed and signed by the Mayor before being mailed.
- 2) Time sheets are to be approved at department level, summarized by CPA Treasurer, and submitted to ADP for processing. ADP handles all tax filings; payroll is certified by Mayor.
- 3) Village annual financial report is to be drafted and submitted to State Comptroller by CPA Treasurer; Comptroller will review report and ask questions when necessary.
- 4) All processes are currently being reviewed and controls are being put in place when necessary.

The Village Trustees and Mayor take their responsibility for the fiscal security of the Village very seriously and are committed to ensuring that the Village's financial matters are handled properly. Review of the Village's financial practices—past, present, and future—will continue, advanced by the commitment of Village officials in conjunction with appropriate expertise.

Board of Trustees of the Village of Chatham