

Report to:

Village Counsel and the Board of Trustees of the Incorporated Village of Mastic Beach

and

Special Counsel to the Incorporated Village of Mastic Beach

Regarding:

Forensic Investigation of the
Incorporated Village of Mastic Beach*

August 31, 2015

Prepared by:

Cramer CPA, P.C.

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To The Board of Trustees, Village Counsel, and Special Counsel of
The Incorporated Village of Mastic Beach:

Re.: Accountant's Report in connection with the forensic investigation

We have performed procedures enumerated below, which were agreed to by the Board of the Incorporated Village of Mastic Beach (the "Village") and Counsel under the terms of our engagement letter dated April 13, 2015. The purpose of this forensic investigation was to determine if the books and records accurately reflect business that was conducted by the Village; and the identification of fraudulent activity that may have transpired.

This engagement has been performed in accordance with Statement on Standards for Consulting Services No. 1 as promulgated by the American Institute of CPAs (AICPA). While work involved analysis of accounting records, our engagement did not constitute an audit in accordance with generally accepted auditing standards, an examination of internal controls, or any other attestation or review service in accordance with standards established by the AICPA. Had other procedures been performed, other matters may have come to our attention that may have affected the findings reported herein.

This report is intended solely for the information and use of the Board of the Incorporated Village of Mastic Beach, Village Counsel, and Village Special Counsel.

Cramer CPA, P.C.

Cramer CPA, P.C.
August 31, 2015

II. Introduction

Cramer CPA, P.C. (hereinafter referred to as "Cramer") has been engaged to perform a forensic investigation of various activities relating to the Incorporated Village of Mastic Beach (the "Village"), including but not limited to tax revenues received, payments made to vendors, accounting software and payroll. The procedures Cramer planned to perform were provided in a proposal to the Village (hereinafter referred to as the "Proposal"), and upon review and acceptance of such procedures, the Village retained Cramer's services.

During Cramer's forensic investigation, additional concerns were raised regarding how grant money received from the Robin Hood Foundation ("Robin Hood") was awarded and distributed to Village residents. Consequently, the Village requested that Cramer perform a forensic investigation of this issue, as well.

The forensic engagement period addressed in this report runs from the date of the Village's incorporation, September 21, 2010 through April 6, 2015.

III. Summary of Procedures and Findings

Over the course of the last several months, Cramer has performed a forensic investigation of various activities relating to the Incorporated Village of Mastic Beach (the "Village"), including but not limited to the Village's tax revenues collected, Deposit Account, General Fund's General Ledger; Payroll and the Robin Hood Grant.

Cramer began the forensic investigation by gaining an understanding of the Village's history and how it operates. Since the external auditors did not make themselves available, Cramer relied on information obtained directly from Village personnel and the limited Board resolutions that were available. The following includes basic information about the Village:

- Incorporation of the Village took place on September 21, 2010.
- The Village's fiscal year ends in the month of May.
- Documents provided for analysis covered a period of engagement from September 21, 2010 through April 6, 2015.
- The Village began collecting its own property taxes in June 2011.¹

¹ Prior to that date, the Town of Brookhaven collected property taxes on behalf of the Village and remitted such amounts to the Village.

- Estimated tax revenues collected annually for property taxes and refuse removal fees were on average approximately \$2.7 million, of which \$1.1 million was for property and \$1.6 million was for refuse removal fees.²
- Estimated other taxes and fees collected on an annual basis were approximately \$400,000 for 2014.³
- Since the Village's inception, Board positions and Management positions have been changed a number of times.⁴
 - Despite this turnover, Ms. Jennifer Brojer's employment (from October 2011 through resignation in May 2015) was the only constant within the finance department of the Village.

A. Tax Revenues Collected

1. Property Taxes

Property taxes and refuse charges are collected by the Village on an annual basis in the month of June.

Objectives:

Cramer's objectives were to determine if the Village's tax assessment software ("SCA") accurately reflected the taxes and fees collected from the taxpayers for the period under review; and to determine if such amounts were properly reflected in the books and ultimately reported in the audited financial statements (through the last fiscal year end).

Procedures Performed:

Cramer compared and reconciled the 2015-16 Brookhaven tax assessment roll to the Village's tax records within its tax software program SCA, for the 2014-15 fiscal year. Using data analytics software, Cramer electronically compared the tax payments received and recorded in SCA to the General Ledger. Cramer communicated with the Town of Brookhaven's Tax Assessor.

Findings and Recommendations:

According to the Town of Brookhaven, there were 7,543 properties located in the Village, of which only 6,675 were included in the tax records per the Village. Out of the 868 properties that were not included in the Village tax records, 487 of these

²These are the average of the 2013-2015 amounts from Table 9 in section VI.A.1.b. (amounts from 2012 were excluded from the average because the tax revenues were collected by the Town of Brookhaven and remitted to the Village in 2012)

³This is the approximate total amount of money recorded in Municipality during fiscal 2014 per Table 10 in section VI.A.2.b of this report.

⁴See sections IV. C and D for details.

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belonged to various government agencies and/or not-for-profits (such as religious institutions), leaving 381 remaining properties that were not included in SCA. In addition, there were 56 properties included in the Villages tax records that were not included in Brookhaven's tax assessment roll.

As a result of comparing the information in SCA to the GL⁵, Cramer noted that in most cases, the net differences were immaterial and less than a 1% discrepancy. However, the existence of unusual journal entries raises some questions that have not yet been answered:

- Did anyone at the Village confirm that the funding received from Brookhaven was accurate and complete?
- Why were container charges for demolition and clean-up of specific properties posted to property tax receivable accounts?
- Were these valid journal entries and were the receivable amounts ever collected?
- Why were the final entries made to correct the property taxes at the end of each fiscal year?
- Were there reconciliations done from SCA to the GL? If not, then what was reconciled? How were these amounts determined?

The information provided to Cramer led to more questions than answers. The Auditor's work papers may have addressed some of these questions, but the firm was uncooperative and Cramer was never given the opportunity to review the relevant documents.

The Village may be losing out on revenue for those properties that were missing from the reports based on the analysis performed. Therefore, Village personnel should research why the 381 properties were missing from its tax records; and why it had 56 properties that the Town of Brookhaven did not.

Cramer recommends that the Village look into acquiring the special government software that would automatically capture all addresses within the Village and update automatically for any newly enacted legislation.

If the Village considers itself an assessing entity, then it should hire a tax assessor.

⁵ See section VI.A.1.b for details.

2. Other Taxes, Fees and Permits Received

Payments taken in by Village personnel that are not related to property taxes are entered into Muncity. The Village has different departments that are responsible for charging residents with various fees, such as yard sale permits, building permits, licenses, code enforcement, planning and zoning.

Objectives:

Cramer's objectives included determining if Muncity, the tax software used to record monies received for municipality services such as permits, code enforcement and planning, accurately reflected the fees collected from the taxpayers for the engagement period. Were such amounts properly reflected in the books and ultimately reported in the audited financial statements (through the last fiscal year end). Since cash was collected by Village personnel, an emphasis was placed on determining if the cash transactions were deposited and recorded appropriately.

Procedures Performed:

Cramer obtained an understanding of how the software works and who is responsible for entering the data.

Cramer downloaded individual reports (each covering a six month period) from Muncity and combined them into one database, isolating the month and year, and then re-sorting the details by fiscal year. Cramer applied specific data analytics to the information related to fiscal 2014 in order to determine if the amounts recorded in Muncity agreed to the Village's books and records, Cramer compared the details in Muncity to the Cash Receipts Journal (based on the General Ledger ("GL") account number and name).

Findings and Recommendations:

Cramer found that duplicate entries were made in Muncity. Further review of the details disclosed that all the transactions in the Muncity reports were listed as positive numbers. This meant that if a transaction was voided it appeared as a positive number rather than a negative number.

As per Muncity, the amounts paid for fiscal 2014 netted to approximately \$411,000. Net was calculated as follows: gross amount of approximately \$592,000 less duplicate entries of approximately \$160,000 and voided transactions of approximately \$21,000.

As per the Cash Receipts Journal, (an integral part of the Village's accounting records) cash receipts totaled \$307,000.

Cramer's comparison of Muncity to the Cash Receipts Journal revealed that the net amount of cash receipts per the Muncity was greater by \$104,000 or a 25% discrepancy.

Since the Village relies on individuals to collect monies, enter data and maintain the records for Muncity, there is a lack of checks and balances on the data entered. In addition, there does not seem to be any way to reconcile the data entered into the program which inherently provides the opportunity for inaccurate information to be recorded. In addition, the Village had maintained manual cash receipts books. The current Village personnel were only able to locate a few of the cash receipt books which were found in the Village's archive room.⁶ Such important financial information was generally stored in finance department's files.

Cramer was unable to determine if any of these manual records were ever entered into Muncity. Nor could Cramer ascertain the completeness or accuracy of the information entered into the Muncity tax software program.

B. Deposit Bank Account Maintained by the Village

When the Village receives money from its residents, the funds are deposited into a bank account that was set up for the sole purpose of receiving Village revenues. Once the money is in the account, it is then transferred to a different bank account to be disbursed.

Objective:

Cramer's objective was to determine if the cash received from the bank agreed to the amounts recorded in the books and records of the Village.

Procedures Performed:

After summarizing the individual bank statements provided, Cramer compared the deposits and disbursements of Village records to the bank records for fiscal 2014.

⁶ The Village's archive room was located in the trailer behind Village Hall.

Findings and Recommendation:

Bank deposits of approximately \$4,325,000 and disbursements of \$4,728,000 were basically identical to the sum of cash receipts and disbursements of the GL Deposit Account. There was a minor net difference of \$160 or .03%.⁷

Even though, only a minor discrepancy was found here, the Village should strengthen the internal controls surrounding monies received by the Village to ensure that the funds are deposited in the bank, and accurately recorded in the books and records of the Village. The Village's current standard of procedures creates an environment that not only allows information to be incorrectly recorded but provides the possibility for fraud to occur, as well.

C. General Fund's General Ledger

The Village uses an accounting software package called Sage (formerly known as Peachtree) for its General Ledger. This software is not integrated with any other of the Village's tax software programs. Cramer was given electronic printouts of the General Fund's general ledger for each of the fiscal years (ending May 31) in an Adobe pdf format ("pdf"). However, the other journals provided were maintained in Excel worksheets.

Objective:

Cramer's objective was to ascertain that the detailed accounting journals provided were accurate and complete. This was a concern since such information was provided in Excel, which by its very nature enables the manipulation of the data.

Procedures Performed:

Cramer electronically compared the details from each of the respective journals to the postings in the GL for fiscal years 2012 through 2015, and in turn, determined whether the information in the journals were posted in the GL. Cramer then summarized all the transactions from the GL's for each of the fiscal years and verified that the totals netted to zero.⁸

Findings and Recommendations:

Based on the procedures performed on the accounting records, Cramer determined that the Excel records were accurate and can be relied upon for further analysis. Cramer recommends that the Village make the necessary modifications to the

⁷ See Table 13 in section VI.B. for details

⁸ See section VI.C. for details

accounting software so that reports may be printed or generated in a format that cannot be manipulated.

Since the various programs are not integrated, manual intervention is required to post information to the accounting books and records. This creates an environment not only for information to be incorrectly recorded but for fraud to occur. Cramer recommends that the Village consider either upgrading or changing its accounting software so that all the various systems, such as the tax software and payroll, are integrated.

D. Payroll

The Village uses a time card system named WASP which electronically tracks the hours worked by all employees. Once the timecards are generated, the payroll is reported to PBI, an outside payroll service. Deputy Treasurer Brojer was the only person responsible for payroll in the Village during the time period examined.

1. Evaluation of Time Entered into WASP

Ms. Brojer was responsible for reviewing time cards, manually entering or changing time in WASP and then reporting this information to PBI for processing. In this capacity, Ms. Brojer had “free rein” over every aspect of payroll, unilaterally making changes and adding or deleting information in WASP for all employees, as she deemed appropriate. This lack of supervision and accountability created an environment primed for misuse and fraud.

Objective:

Cramer’s objective was to ascertain whether the payroll records were accurate and complete; to determine if employees were being compensated in accordance with the Village policies; and identify any unusually trends in the data.

Procedures Performed:

Cramer began this process by evaluating the time entered into WASP. There was limited information available in this regard; however, one of the reports obtained captured all the manual changes made to WASP for the period of October 2012 through May 2015.⁹

⁹ Even though the report period was through April 2015, records were available through May and were included in this analysis.

captured all the manual changes made to WASP for the period of October 2012 through May 2015.⁹

Cramer summarized the data and created a comprehensive report that detailed all manual changes made to WASP.

The majority of the manual changes to WASP pertained to Ms. Brojer's time. As such, the Village requested that Cramer perform a detailed analysis of Ms. Brojer's time entered and paid. Cramer studied the entire WASP report but isolated calendar year 2014 when further analyzing Ms. Brojer's activity.

Findings and Recommendations:

Cramer noted that the only person who made manual changes into the WASP system was Ms. Brojer, and she did so without supervision or prior approval. In total there were more than 3,000 changes made during the period of October 2012 through May 2015 for 27 of the Village's employees. The number of adjustments Ms. Brojer made for herself far exceeded the entries made for any other employee including those individuals whose time could only be entered manually. More than 30% or 950 of all the manual entries made related to Ms. Brojer's time. Ms. Brojer also made more than 400 manual adjustments into WASP for Mr. Timothy Brojer (spouse of Ms. Brojer) and Mr. Linwood Staton, respectively.¹⁰

In calendar year 2014 alone, Ms. Brojer made more than 400 manual entries to her time, which included adding time in, adding time out, deleting time in, deleting time out, and changing time that was already in the WASP (whether through a time clock entry or previous manual change). Cramer found that Ms. Brojer's report to PBI for this time period indicated that she worked 2,326 hours. Out of this total, there were manual modifications made to 1,712 or 74% of those hours.

In total, Ms. Brojer received approximately \$51,000 in compensation for calendar year 2014. Of this amount approximately \$8,500 or 17% was for overtime; and approximately \$5,000 or 10% was for absent time.¹¹

⁹ Even though the report period was through April 2015, records were available through May and were included in this analysis.

¹⁰ See Table 14 in section VI. D.2. for details.

¹¹ See Table 17 in section VI. D.3. for details.

The analysis of the data extracted from WASP raised additional concerns regarding Ms. Brojer's actions, including the following:

- Out of 26 pay periods for the calendar year studied, 14 had in excess of 10 hours of overtime paid, for a total of 272 hours paid overtime in 2014. It is expected the Deputy Treasurer would be required to work a significant amount of overtime during the year, especially when taxes or regulatory filing requirements are due. However, Ms. Brojer's overtime was excessive on a regular basis, and in some cases, she was paid pure overtime for a day of work. This occurred when the regular hours reported reached a total of 40 before the pay week ended, so that any additional hours worked that week were compensated as pure overtime.
- Many of the changes appeared in weeks that had overtime hours within the pay periods.
- There are instances where the exact same time was added then deleted (for a virtual wash) but, nonetheless, illustrate the additional manipulation of time records.
- There were deletions made according to the change report for which there were no original punches or manual added time for that date.
- According to WASP, on two specific holidays (Independence Day and Labor Day), Ms. Brojer's reported time was 13.30 hours rather 8 hours, as mandated by the Village.

2. Review of PBI Check History and Insurance Declination

Once the timecards were generated, the payroll was reported to PBI. As previously stated, Ms. Brojer was responsible for processing payroll for the Village.

Objective:

Cramer's objective was to determine if employees were being compensated in accordance with the Village policies; and identify any unusually trends in the data.

Findings and Recommendations:

Cramer reviewed the Check History Report received from PBI for Ms. Brojer, Mr. Brojer and Mr. Staton, respectively. Cramer found that Ms. Brojer received additional money each pay period for five months in 2014 (August through December) because she declined insurance coverage through the Village. The insurance declination payments she received during calendar 2014 totaled approximately \$3,385.

Cramer strongly suggests that the Village re-examine all policies relating to family members, including insurance coverage. Cramer noted that in July 2014, shortly before Mr. Brojer became a part-time employee, he received compensation for three weeks of unused vacation time and three days of unused sick time, totaling approximately \$5,800. Thereafter, as a "Less Than 6 Hour Shift" employee, Mr. Brojer received forty (40) hours of combined paid vacation and sick time, totaling approximately \$1,200. This raises questions as to whether Mr. Brojer was entitled to receive the payout as a full-time employee only having worked in this capacity for six months in 2014; and in turn, whether he was thereafter entitled to receive any benefits as a part-time employee.

3. Review of the Parameters Set Up in WASP

Objective:

Cramer's objective was to review, summarize and analyze WASP's employee group parameters to determine if employees were being compensated in accordance with the Village policies.

Findings and Recommendations:

The information provided indicated that there were six groups (categories) of employees set up in WASP - Salary, Clerical, Code Enforcement Day/Night, Full-Time Hourly, Highway and Less than 6 Hour Shift. Cramer noted that in general, consistency exists amongst the groups when it came to the time in/time out rules and the overtime calculations. However, the same was not true when it came to parameters set for breaks, meals and work week schedules.

When reviewing the daily breaks that the employees were entitled to, Cramer noted that the Full-Time Hourly group, which included Ms. Brojer, was the only one set up to allow one (1) *paid* 60 minute break during the day, whereas all the other groups received either two (2) *paid* 15 minute breaks or one (1) *paid* 30 minute break, at best.

Cramer also found that the work time schedule for the Full-Time Hourly group was set at Monday to Friday, from 7:00 am to 12:30 am. Although other groups are listed as working Monday to Friday, or even full week, none of the others covered a 17 hour period of time during which the employee can work. The relevance here is

that the Full-Time Hourly group employee could get paid (regular and overtime) for working anytime during this 17 hour period – without having to override the system.

Cramer recommends that the Village re-visit the protocols set up in WASP and implement ongoing monitoring of the settings to prevent such disparities from occurring in the future.

4. Observations pertaining to Mr. Brojer's payroll

Objective:

As part of the forensic investigation, Cramer reviewed every WASP report and PBI report provided, looking for any unusual activity. In doing so, Cramer noticed issues with Mr. Brojer's payroll activity.

Findings and Recommendations:

While reviewing both PBI's Check History Report and the parameters set up in WASP, Cramer noted that Mr. Brojer's employment status changed on or about July, 2014. It appears that he went from being a full time salaried employee to the status employee group of Less Than 6 Hour Shift. In WASP, employees in this category can work Monday to Friday from 9 am to 4:30 pm.

A review of the WASP Change History Report revealed that after July 2014, there were several instances where time was added for Mr. Brojer, indicating that he worked after 4:30 pm.

In addition, the PBI Check History Report indicated that Mr. Brojer received forty (40) hours of combined paid vacation and sick time during the time when he was a "Less Than 6 Hour Shift" employee. As previously stated, this raises questions as to whether Mr. Brojer was entitled to receive these monies, while for all intended purposes, he was a part-time employee.

Although Cramer was asked to stop all investigative analysis in this regard, further examination of this issue is suggested.

Overall Payroll Findings and Recommendations:

Based on the procedures performed, Cramer noted a significant number of inconsistencies in the payroll data. The reports that Village personnel accessed were extremely limited and

may not have necessarily depicted or represented a comprehensive detailing of the entire payroll process and standings.

During the calendar year examined, Ms. Brojer made more changes in the WASP system than the number of days in the year. Clearly, her making 424 changes to her own time cards in 2014 seem egregious on its face. One can conclude that the changes were made to increase her compensation.

Ms. Brojer consistently manipulated the system by either increasing the number of hours "worked", changing the time (in some cases by a minute or two) in order to benefit from the "15 minute rule"¹², causing time to be classified as overtime, or invoking the additional meal allowances within WASP.

Due to the lack of comprehensive reports from WASP and from PBI, together with the unreliable key swipe system, there is no way to confirm whether Ms. Brojer worked all the hours she claimed.

Cramer recommends that the Village evaluate a more comprehensive time card system that has better reporting features, and could be integrated with the existing accounting systems. The Village needs to implement strong internal controls around its payroll system to prevent any one individual from having complete control.

E. Robin Hood Grant

During Cramer's forensic investigation, additional concerns were raised regarding how grant money received from the Robin Hood Foundation ("Robin Hood") was awarded and distributed to Village residents. Consequently, the Village requested that Cramer perform a forensic investigation of this issue as well.

Objective:

Cramer's objectives were to determine if the grant money was distributed in accordance with the guidelines set forth by Robin Hood; to determine if the communications were in accordance with the guidelines and procedures established by Robin Hood; to ascertain that the funds received and the disbursements made from the bank account were properly reflected in the books and records of the Village; to evaluate whether the spreadsheet used by the Village to track grant monies was compliant with the terms and conditions set forth by Robin Hood; and to

¹² See section VI.D, paragraph 2 for explanation of the "15 minute rule".

determine if the Robin Hood funds were appropriately awarded based on the eligibility guidelines.

Findings and Recommendations:

Cramer prepared a separate report that specifically addressed the forensic investigation conducted into Robin Hood. Based on the procedures performed and the findings documented, it can be determined that the Village did not consistently follow the guidelines set by Robin Hood.

IV. About the Village

A. Background

The Village of Mastic Beach was incorporated on September 21, 2010. It is governed by its Charter, General Municipal Law and Village Law, as well as other general laws of the State of New York and various local laws.

According to the Audited Financial Statement of Nawrocki Smith LLP. "The Village Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as chief executive officer and the Village Clerk serves as chief fiscal officer. The Village provides a full range of municipal services including sanitation, snow removal, recreation, village planning, code enforcement, administrative zoning, justice court and building inspection."¹³

B. Village Funds

The Village is responsible for maintaining and recording all governmental activities relating to the Village. Such activities are either recorded as Governmental Funds or Fiduciary Funds, respectively.

- 1. Governmental Funds** - The Village is charged with maintaining separate books and records for its various governmental activities, which include but are not limited to taxes, state aid and grants. When taken together, the Governmental Funds reflect the financial position of the Village. In some cases, the monies received are used for specific purposes and are maintained in a Special Purpose Fund. Regardless of

¹³ As per footnote 1.A. of the May 31, 2014 Audited Financial Statement issued by Nawrocki Smith LLP.

how the Governmental Funds are recorded, they are all combined in the Village's financial statements.

There are two types of Governmental Funds used by the Village:

- a. **General Fund** – this is the Village's operating fund which includes all governmental activities that are not required to be recorded in other funds.
 - b. **Special Purpose Funds** - this fund is for monies received by the Village that are earmarked for specific purposes. **The Robin Hood Relief Fund** is a Special Purpose Fund and was established to account for funds received from the Robin Hood Foundation and the related grant payments made to residents of the Village who met the criteria of the grant agreement
2. **Fiduciary Funds** - The Village is also responsible for maintaining accurate books and records for the Justice Courts, thereby acting as a Fiduciary of the Courts. These records are kept separate and apart from the Government Funds and are referred to as Fiduciary Funds.

The only Fiduciary Fund used by the Village was an Agency Fund, which accounted for money (and/or property) received and held in the capacity of trustee, custodian or agent for the Justice Courts.

Although the Village was incorporated in September 2010, it did not begin to receive property tax revenues until June 2011. Prior to June 2011, the Town of Brookhaven collected taxes on behalf of the Village. When the Village began to collect the property tax revenue, the funds were recorded in a Deposit Account of the General Fund.

C. Board of Trustees

The Village Board of Trustees (the "Board") was elected in November 2010, shortly after the Village was incorporated. The Board was comprised of five members, which included the Mayor and four (4) Trustees. The Mayor had the authority to appoint individuals to serve the Village in various positions, including but not limited to Deputy Mayor (who must be a current Board member), Village Clerk, Treasurer and Village Attorney.

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When the Board was newly formed, a decision was made to stagger the terms for the Trustees to ensure that there would always be continuity on the Board. Of the four Trustees, two (2) were to serve a term of two (2) years, while the other two (2) would serve a term of only one (1) year. Despite the fact that the Board was elected in November 2010, it was determined that future trustee elections would take place in March. As a result, the Trustees all served through the end of March in the year that their respective term ended.

The first elected Mayor of the Village was Mr. Paul Breschard, whose term of service was two (2) years. The two (2) Trustees who were elected to serve for two (2) years (through March 2013) were Mr. William Biondi and Mr. Gary Stiriz, respectively. The two (2) Trustees who were elected to serve for one (1) year (through March 2012) were Mr. Robert Morrow and Ms. Barbara O'Malley, respectively.

In April 2011, the Board created the position of Village Justice. After accepting Ms. O'Malley's resignation as Trustee, she was appointed Village Justice through the 2012 election. Mr. Kenneth Olivio was appointed to serve the remainder of Trustee O'Malley's term and did not subsequently seek re-election. At the 2012 election, Ms. O'Malley successfully ran for Village Justice, a position she would hold for the next four years.

In March 2012, elections were held for the first two trustee vacancies. In February 2012, Mayor Breschard resigned. The Board decided to appoint Trustee Biondi as Mayor, rather than the then Deputy Mayor Stiriz. Once officially appointed Mayor, Mr. Biondi selected Ms. Carol Bissonette to serve as his replacement Trustee through March 2013 (what would have been the end date of Trustee Biondi's term).

The following is a summary of the Board Positions and Terms as of March 2012:

Table 1

<u>Position</u>	<u>Individual</u>	<u>Term</u>
Mayor:	Mr. Biondi	2013
<i>Trustees:</i>		
Still serving term	Mr. Stiriz	2013
Still serving term	Ms. Bissonette	2013
Re-elected	Mr. Morrow	2014
Newly elected	Ms. Gail Cappiello	2014

At the December 5, 2012 Board meeting, a resolution was passed to extend the terms of office for the Mayor and the Board of Trustees from two years to four years. However, based on the election history since that date, this resolution did not appear to have been implemented.

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In March 2013, an election was held for the positions of Mayor and two (2) Trustees. Mr. Biondi was elected Mayor of the Village and would serve for a term of two years. The Trustees who were elected to serve for two years (through March 2015) were Mr. Stiriz, who was re-elected for a second term, and Mr. Nicolas Busa.

The following is a summary of the Board Positions and Terms as of April 2013:

Table 2

<u>Position</u>	<u>Individual</u>	<u>Term</u>
Mayor	Mr. Biondi	2015
<i>Trustees:</i>		
Still serving term	Mr. Morrow	2014
Still serving term	Ms. Cappiello	2014
Re-elected	Mr. Stiriz	2015
Newly elected	Mr. Busa	2015

In March 2014, an election was held to fill two (2) Trustee vacancies. The following is a summary of the Board Positions and Terms as of March 2014:

Table 3

<u>Position</u>	<u>Individual</u>	<u>Term</u>
Mayor	Mr. Biondi	2015
<i>Trustees:</i>		
Still serving term	Mr. Stiriz	2015
Still serving term	Mr. Busa	2015
Newly elected	Ms. Maura Spery	2016
Newly elected	Mr. Bruce Summa	2016

In March of 2015, an election was held to fill the positions of Mayor and (2) two Trustees. The following is a summary of the Board Positions and Terms as of March 2015:

Table 4

<u>Position</u>	<u>Individual</u>	<u>Term</u>
Mayor (newly elected)	Ms. Spery	2017
<i>Trustees:</i>		
Still serving term	Mr. Summa	2016
Still serving term	Ms. Elizabeth Manzella*	2016
Newly elected	Christopher Anderson	2017
Newly elected	Anne L. Snyder	2017

* Trustee Manzella was appointed to serve the remaining term for Trustee Spery, who was elected Mayor.

D. Management of the Village

When the Management of the Village was established in November 2010, the position of Mayor was held by Mr. Breschard. At that time, Mayor Breschard appointed the following individuals to fill various positions in the Village:

Table 5

<u>Position</u>	<u>Name</u>	<u>Term (if stated)</u>
Deputy Mayor *	Trustee Stiriz	
Village Clerk	Ms. Virgilia Gross	
Treasurer	Mr. Felix Wienclaw	
Village Attorney	Joseph W. Prokop PLLC	

* Individual must be a current Board member to hold this position

Subsequently, at the March 8, 2011 Board meeting, it was unanimously decided that additional positions within the Village were to be created. All the new positions were to be filled on a part-time basis and the individuals would not be eligible for benefits¹⁴. These new part-time positions included: Clerk Typist, Account Clerk Typist, Code Enforcement Officers, Code Enforcement Supervisor, Village Justice (an elected position, with a term of four years), Village Court Clerk, Code Enforcement Dispatcher and Building Inspector.

In October 2011, Ms. Jennifer Brojer was appointed to serve the Village until Mayor Breschard's term of office concluded in 2012.

In February 2012, the Board voted to terminate Joseph W. Prokop PLLC as Village Attorney and retained J. Lee Snead, Esq. in that position.

Shortly thereafter, at the April 10, 2012 Board meeting, newly-appointed Mayor Biondi filled various positions in the Village, including but not limited to the following:

¹⁴ Subsequently this changes and individuals hired by the Village were full time and received benefits.

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Table 6

Position	Name	Term (if stated)
Village Assessor	Ms. Gross	2013
Treasurer	Mr. Felix Weinclaw	
Deputy Treasury	Ms. Brojer	
Village Administrator	Mr. Timothy Brojer	
Village Attorney	Mr. J. Lee Snead, Esq.	
Village Code Enforcement Official	Mr. Timothy Brojer	
Associate Village Justice	Mr. Francis Fineo	
Deputy Chairperson of the Zoning Board of Appeals	Mr. Thomas A. Gross	2013
Chairperson of the Zoning Board of Appeals	Mr. Christopher Ricciardi	2013

In October 2012, Village Attorney Snead was replaced by Brian Egan, Esq. In addition, the Board resolved to create the position of Deputy Village Clerk, which was subsequently filled by the appointment of Ms. Susan Draghi. Ms. Draghi held that position until March 2013, when she was appointed Village Clerk.

After Mayor Biondi's re-election in April, 2013, most of the individuals he previously appointed to Village Management positions remained the same. The only additional appointees were Mr. Egan as Village Attorney and Ms. Stacy French as Treasurer. Ms. French resigned shortly thereafter and was replaced by John Morris.

In April 2014, Mayor Biondi again kept most of the individuals he had previously appointed in their Village Management positions. In that year, the only changes were the appointment of Mr. Nick Busa as Deputy Mayor, and Mr. James Olivo as Interim Treasurer.

In May 2014, Mr. Olivo was appointed as the Interim Treasurer, Ms. Gross resigned as Village Clerk and Ms. Draghi became the new Village Clerk. In July 2014, Mr. Brojer's status was changed from full-time to part-time. In September 2014, Village Clerk Draghi resigned. On October 1, 2014, Susan F. Alevas, Esq. was appointed Village Clerk, effective October 6, 2014. In addition, Ms. Brojer was appointed as Account Clerk, in addition to her Deputy Treasurer position.

Ms. Brojer's term as Deputy Treasurer concluded on April 6, 2015, however, her position as Account Clerk continued. Ms. Dawn McNeil was appointed as the interim Deputy Treasurer. Ms. Brojer resigned from her position of Account Clerk, effective May 4, 2015, after having taken an extended leave of absence.

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In March 2015, Ms. Spery was elected the new Mayor of the Village. Once she was sworn in, she appointed the following people to Village Management.

Table 7

<u>Position</u>	<u>Name</u>	<u>Term (if stated)</u>
Deputy Mayor *	Mr. Summa	
Village Clerk & Village Administrator	Ms. Alevas, Esq.	2017
Deputy Village Clerk	Ms. Wendy Scarf	2017
Treasurer	Ms. Hedy Bluth	2017
Deputy Treasurer	Ms. Dawn McNeil	2017
Village Attorney – interim	J. David Eldridge, Esq.	

In May 2015, Guy W. Germano, Esq. of Germano & Cahill, P.C. was appointed Village Attorney, and G. William Germano, Esq. of Germano & Cahill, P.C., as Deputy Village Attorney, respectively. A. Thomas Levin, Esq., and Brian S. Stollar, Esq. of Meyer, Suozzi, English & Klein, P.C. were also appointed Deputy Village Attorneys and Special Counsel. In addition, J. David Eldridge, Esq. of Taylor, Eldridge & Endres, P.C. was appointed as Special Counsel.

As indicated and explained above, since the Village's inception, numerous changes and turnovers occurred in both Board positions and Management positions, respectively. During that time, however, it was Ms. Brojer's position as Deputy Treasurer (and subsequently as Account Clerk as well) which remained the same, from her appointment in 2012 through her resignation in 2015.

V. Outside Professionals

A. Information Technology Firms

The Village did not have its own in-house Information Technology ("IT") department. Shortly after its incorporation, the Village hired VEP Computer Systems, Inc. ("VEP") to design, implement and support its computer network, individual work stations, telephone systems and surveillance systems of Village premises. Though VEP was located in Mastic, it relied mostly on remote access to the Village's network to perform maintenance, to trouble shoot problems and to monitor activities. Based on discussions with Village personnel, any modifications made to computer software programs were done by VEP. In addition, VEP was responsible for the telephone systems and the security camera software. The Village installed and maintained

security cameras in Village Hall. The Village also installed other surveillance systems of public places which were administered by Intelli-Tec (a company separate and apart from VEP).

B. Independent External Auditors

In order to gain an understanding of the Village's operations, including its internal controls and computer systems, Cramer requested a meeting with the Village's external independent auditors, Nawrocki & Smith, LLP ("Auditors") to review their work papers, system documentation and other relevant information. The Auditors had been with the Village since the issuance of the first audited financial statement for fiscal year 2011 (ending May 31, 2011). Both the Village Clerk and Village Attorney reached out to the Auditors on a number of occasions, but they were not cooperative. As such, Cramer did not have an opportunity to review any of the Auditors' documents, systems' analysis and other relevant information. Access to this information would have provided Cramer with necessary and invaluable insight into the Village's operations.

Cramer happened to be at the Village when the Auditors met with the Village Clerk and Treasurer to discuss the 2015 audit. That was the only time that the Auditors had any contact with Cramer. There is no question that the Auditors' cooperation would have potentially saved the Village a significant amount of time and money. Uncertainty remains as to why the Auditors were so uncooperative. Why they refused requests made by the Village Clerk for more than six months and why they declined various requests and opportunities to assist with the forensic investigation, even after requests from the Village Attorney, remains a mystery.

C. IT Forensic Consultant

At the time that Cramer was retained by the Village to conduct a forensic investigation, another consulting firm was hired by the Village to provide Information Technology ("IT") forensic services. It was understood that as part of their services, the entity would obtain forensic images of electronic information and provide Cramer with the data necessary to conduct the forensic investigation of various accounting related systems. Unfortunately, Cramer did not receive any relevant electronic information from this consulting firm despite repeated request during the investigation. Instead, Cramer's only option was to work with Village personnel to locate whatever electronic data that was available and relevant to the forensic investigation from its computer systems.

VI. Detailed Procedures Performed

Set forth below is a description of the procedures performed by Cramer during the course of the forensic investigation. It will include information pertaining to each of the following: (1) Tax revenues collected by the Village; (2) Deposit Account; (3) General Fund's General Ledger; (4) Payroll; and (5) Robin Hood Grant.

A. Tax Revenues Collected

The Village entered into a license and service agreement with an entity that specializes in the selling and servicing of computer software for municipal governments. Currently, there are two separate software programs being used by the Village. The first is for property assessment and tax collection (hereinafter referred to as "SCA") and the second is for all additional municipal services, such as permits, code enforcement, planning and zoning (hereinafter referred to as "Municipity").

Based on discussions with Village personnel, there are several methods by which residents can pay taxes: online, via mail or by physically going into Village Hall to do so. When monies are received in the Village Hall, an employee enters the information into either SCA or Municipity, depending on what is being paid. The cash or check received is then deposited at the bank. The payment information is then manually recorded into the accounting records of the Village.

Residents pay property taxes and other assessments to both the Town of Brookhaven ("Brookhaven") and the Village, respectively. The Town of Brookhaven maintains a complete listing of all the properties within its borders, including the Village, in a Tax Assessment Roll ("Tax Roll").

Cramer found that with respect to SCA, payments for taxes and other assessments may be reconciled to the property assessments that are billed to the Village residents on an annual basis (in June of each fiscal year). Since the Village should always know how much it is supposed to collect in these payments, it can easily ascertain how much money should have been received and how much was collected. In addition, since Village residents pay taxes to the Town of Brookhaven as well, the Village can confirm that it has billed all taxable properties within its borders by comparing SCA to Brookhaven's Tax Assessment reports.

1. Property Taxes

Cramer's objectives were to determine if the SCA tax assessment software accurately reflected the taxes and fees collected from the taxpayers for the period under review; and to determine if such amounts were properly reflected in the books and ultimately reported in the audited financial statements (through the last fiscal year end).

In order to complete these objectives, Cramer required electronic files from SCA as well as the electronic records that the Village received from Brookhaven's Tax Roll. Requests were made to Village personnel for this information. Since both the current Treasurer and Deputy Treasurer were not familiar with SCA and its reporting capabilities, there was difficulty in obtaining the required data.

As such, with Village personnel present, Cramer downloaded reports from SCA for each of the fiscal years (2012 through 2015). One of the reports was a detailed listing of properties located in the Village and included the taxes assessed and paid.

Village personnel were also unable to provide Cramer with any of the Brookhaven Tax Rolls. These reports should have been reconciled on an annual basis with SCA to verify that all the addresses included in the Village agree. Unfortunately, no one at the Village could verify that this reconciliation had ever been performed. Since the Village could not provide the Tax Roll, Cramer sought to obtain same directly from the Town of Brookhaven. After numerous failed attempts to obtain the Tax Roll from Town of Brookhaven personnel, Cramer downloaded the 2015-2016 fiscal year's Tax Roll directly from the Brookhaven's website.

During the process to obtain reports directly from the Town of Brookhaven, Cramer reached out to the Brookhaven Tax Assessor, who explained that back in 2010, information was provided to the Village to assist it in populating the SCA system and that the two systems were supposedly reconciled. In addition, it was revealed that each year since fiscal 2012, Brookhaven provided the Village with an electronic version of the fiscal Tax Roll.

The Brookhaven Tax Assessor asked if the Village had a full-time tax assessor working for it. He explained that since the Village is a tax assessing entity it would be critical for it to have a full time person in that position. He further explained that there may be municipal software available at no cost to the Village if it lobbies the local government representative

for same. According to the Assessor, this software would not only eliminate the need to reconcile the Village records to Brookhaven on a regular basis, but it would also contain the latest updates for any new legislation.

After speaking with the Brookhaven Tax Assessor, Cramer reached out to Village personnel to find out if any reconciliation of the information between SCA and Brookhaven's Tax Roll had been performed. The current Treasurer (who was recently appointed) had not yet performed this task nor could she find any records (hard copy or electronic) that indicated whether a reconciliation was ever done by the prior Treasurer(s) and/or Deputy Treasurer.

Cramer also discovered that the Village did not currently have a Tax Assessor on its payroll. According to the Treasurer, the Village is required to file annual reports and other forms to New York State (hereinafter referred to as "filings"). Based on conversations the Treasurer had directly with the New York State Office of the Comptroller, the Village's filings had been inconsistent over the years. In fact, some years the Village reported that it was an assessing entity, yet in other years, it reported that it was not an assessing entity. To resolve this issue, the Treasurer was in constant communication with personnel from New York State to submit the current year's filing as well as to fix prior years' filings.

It should be noted that the Board minutes indicate that a Village Tax Assessor was in fact appointed for a term of one year (April 2012 through March 2013).

a. Reconciliation of Village Properties between SCA and Brookhaven's Tax Roll

As mentioned earlier, the SCA report obtained by Cramer covered fiscal year 2014-2015, whereas the Tax Roll information covered fiscal year 2015-2016. Despite the slight difference in years covered by the reports, Cramer was able to proceed with the analysis since it was determined that a comparison of the addresses would identify properties that were potentially missing from the Village's tax assessment program. For these purposes, the comparison done was based on specific criteria, such as each property's unique identification number.

Upon review of the reports, Cramer noted that according to Brookhaven's Tax Roll, there were a total of 7,543 properties located in the Village for fiscal 2015-2016 year. Of these, 6,675 properties were included in SCA and the remaining 868 were not included in SCA. Of the 868 not in SCA, 487 properties belonged to various government

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agencies and/or select not-for-profits (such as religious institutions), leaving 381 remaining properties that were not included in SCA.

Cramer was found that there were 6,739 properties listed in the report generated from SCA for fiscal year 2014-2015. Since it was determined that eight (8) properties with identical information were listed multiple times, the total number of properties in the SCA report was adjusted to 6,731. Of these, 6,675 agreed to Brookhaven and the remaining 56 were not in Brookhaven's tax assessment roll for fiscal 2015-2016.

Below is a summary of the results from the reconciliation of the Brookhaven tax assessment roll and the Village's information in SCA, respectively.

Table 8

Reconciliation of Village Properties		
Description	<i>Fiscal</i> 2015-16 Tax Roll	<i>Fiscal</i> 2014-15 SCA
Total Properties	7,543	6,739
Less: duplicates for multiple tax payments or listed twice	<u>7,543</u>	<u>(8)</u> 6,731
Less: Properties that matched in both systems (though names may be different, the property ID's were the same)	6,675	6,675
	<u>868</u>	<u>56</u>
Less: Properties owned by government agencies or other not-for-profits	487	
Remaining Properties that did not match	<u>381</u>	<u>56</u>

This analysis demonstrates that the Village may be losing out on revenue for those properties that were missing from the reports.

Even though the fiscal years examined from the downloaded reports were not identical, the Village should look into why there are 381 properties missing from the SCA report that appeared in the Tax Roll, as well as why the SCA report has 56 properties that were not included in the Brookhaven report.

Cramer recommends that the Village look into acquiring the government software noted by the Brookhaven Tax Assessor. It appears this software would not only save the Village money, but also ensure the compliance module is in sync with New York State regulations at all times.

As noted in the procedures, it was interesting that Cramer was unable to obtain the Tax Rolls and had to locate one independently. This information should be readily available. Cramer recommends that on an annual basis, SCA should be reconciled with Brookhaven's annual Tax Roll.

b. Reconciliation of SCA to the GL

Cramer sought to ascertain whether the tax information from SCA is included in the General Ledger ("GL") of the Village.

Cramer electronically compared the tax payments received and recorded in SCA to the GL. There were differences noted in each of the fiscal years. After further analysis, Cramer noted there were other entries posted to the GL accounts that were exclusively for real property taxes. According to the descriptions in the GL, these entries included initial property taxes that were collected by Brookhaven on behalf of the Village. Such funds were remitted to the Village. Cramer also noted that container fees were posted to the tax accounts, which in Cramer's opinion, seemed unusual. Illustrated below are the final net adjustments of entries made to correct the property taxes on the books.

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Table 9

**Reconciliation of SCA to the GL
for each fiscal year in the engagement period**

	2012	2013	2014	2015
SCA				
Taxes and Refuse Removal Fees per SCA <i>(Base taxes and miscellaneous fees net of returned checks)</i>	\$1,253,111	\$2,813,495	\$2,761,496	\$2,722,334
Taxes and Refuse Removal Fees per GL				
Real Property Taxes <i>(includes prior taxes paid during fiscal year)</i>	472,506	1,256,618	1,141,374	1,135,969
Refuse Removal Fees collected	1,965,200	1,626,611	1,534,778	1,576,307
	<u>2,437,706</u>	<u>2,883,229</u>	<u>2,676,152</u>	<u>2,712,277</u>
Unreconciled Difference SCA less GL – over (under)	(1,184,596)	(69,734)	85,344	10,057
<u>Reconciling items posted to GL unrelated to Collections - additions (reductions):</u>				
Funds received from Brookhaven for Taxes and/or Refuse Removal	1,188,779	-	-	-
Recording of container fees posted to property taxes receivable	-	-	(40,300)	(19,000)
Net journal entries made to correct real property taxes and/or refuse removal fees collected	-	41,523	(49,231)	-
Unreconciled Differences between SCA and the GL - SCA Over (Under)	<u><u>\$4,183</u></u>	<u><u>(\$28,211)</u></u>	<u><u>(\$4,188)</u></u>	<u><u>(\$8,943)</u></u>
Percent of difference as compared to the total collected per SCA	<u><u>0.33%</u></u>	<u><u>-1.00%</u></u>	<u><u>-0.15%</u></u>	<u><u>-0.33%</u></u>

Based on the above analysis, the net differences appear to be immaterial and less than a 1% discrepancy, in most cases. However, the existence of such entries raises the questions concerning who made the journal entries, were such entries appropriate and if the Village ever collected the related revenues.

It is imperative that Village financial personnel attempt to resolve these issues as they have a fiduciary responsibility to the Village and its residents. The Auditor's work papers may have addressed some of these questions, but the firm was uncooperative and Cramer was never given the opportunity to review the relevant documents. In addition, during the investigation, Cramer was advised by the Mayor not to continue working on this, thus leaving further inquiries regarding these issues unaddressed.

2. Other Taxes, Fees and Permits Received

The other tax software program used by the Village for all its municipal services, such as permits, code enforcement, planning and zoning is Muncity. As stated above, there are several methods by which residents can pay taxes: online, via mail or by physically going into the Village Hall to do so. When monies are received at Village Hall, an employee enters the information into either SCA or Muncity, depending on what is being paid. The cash or check received is then deposited at the bank. The payment information is then manually recorded into the accounting records of the Village.

Payments taken in by Village personnel that are not related to property taxes are supposed to be entered into Muncity. The Village has different departments that are responsible for charging residents with various fees, such as yard sale permits, building permits, licenses, code enforcement, planning and zoning. When residents make payments, one of two Village employees accept the payments and then record the details into Muncity. Each day, one of the employees prepares a report summarizing the monies received. The daily report, together with the monies received is then handed over to another employee at the Village, presumably in the Accounting Department. This person then records the receipts into the accounting records and gives the money to the Deputy Treasurer for deposit.

During the investigation, it was brought to Cramer's attention that there were cash payments received by the Village that were not entered into Muncity or in the accounting records. It was further communicated that residents were issued handwritten receipts from by Village personnel for payments made to the Village (i.e. building permit application fees, fines, licenses, etc.). Such receipts were from carbonless, pre-numbered bound receipt books ("receipt books"). Current Village personnel were only able to locate a few of these receipt books, which had the carbon copies of the receipts issued still intact. These receipt books were found in the archive room¹⁵ and not in the files maintained by the current finance department. The current Village personnel successfully matched up some of the receipt copies to payments noted in open permit application folders. In other instances, Village Residents following up on permit requests, presented the original receipts as proof that certain fees had previously been paid to the Village.

Since the majority of the receipt books were missing, there was no way for Cramer to quantify the value of the money received at Village Hall that was not recorded in the

¹⁵ The archive room is located in the trailer on the Village property behind Village Hall.

accounting records. As indicated in table 13, the accounting records agreed to the banks statements.¹⁶ If these cash receipts were missing from the accounting records then such amounts would have been missing from the bank as well.

The lack of checks and balances in this system as well and the inability to reconcile the data, inherently provides the opportunity for inaccurate information to be recorded and fraud to occur.

Based on the way that Muncity was created, reports could only be generated for six month intervals. The reports Cramer received from the current Treasurer were in an Excel format and covered all six month periods beginning with June 1, 2012 through May 19, 2015. These reports included details of invoices or receipts, applicable permit numbers, resident addresses, amounts paid to the Village, how paid (check – with reference number or cash) and general ledger account reference. The reports did not include any unpaid invoices, only the ones for which payments were received. Since there was no known way to print out reports from Muncity, other than in an excel format, Cramer could not ascertain the completeness or accuracy of the information provided to the computer software program itself. The current Treasurer unequivocally assured Cramer that all information in Muncity was accurate and it can be relied on for analysis.

Cramer's objectives included determining if the Muncity tax software accurately reflected the fees collected from the taxpayers for the engagement period; and if such amounts were properly reflected in the books and ultimately reported in the audited financial statements (through the last fiscal year end). Since cash was collected by Village personnel, an emphasis was placed on determining if the cash transactions were deposited and recorded.

a. Analysis of Muncity Reports Provided

Using data mining software, Cramer combined all of the individual Muncity reports (each covering a six month period) into one database; isolated the month and year; then re-sorted the details by fiscal year. Cramer decided to apply specific data analytics to the information related to fiscal 2014. This revealed the existence of duplicate entries. Further review of the details disclosed that all the transactions in the Muncity reports were listed as positive numbers.

¹⁶ See section IV. A.2.b, Table 13 Reconciliation of Bank Statements for the Deposit Account and the GL.

This meant that if a transaction was voided it appeared as a positive number rather than a negative number. For example:

Check number 1234 was received from XYZ Company in the amount of \$500 for a permit. It was determined that the amount was the incorrect, so the transaction needed to be voided. Village personnel entered information in Muncity to void the transaction, including an explanation stating the reason for voiding the original entry. Normally, the voided transaction would appear as a negative number, thus negating the original amount. However both amounts appeared as positive numbers in the Muncity report provided to Cramer. The result was that the sum of the two transactions equaled \$1,000 rather than zero.

The report provided to Cramer had multiple transactions like the example described.

b. Comparison of Muncity to the Cash Receipts Journal

Cramer selected fiscal year 2014 to analyze. In an attempt to determine if the amounts recorded in Muncity agreed to the Village's books and records, Cramer compared the details in Muncity to the Cash Receipts Journal ("CRJ"), based on the GL account number and description. The Treasurer provided the accounting records in an Excel format to Cramer. Again, since information in Excel may be manipulated or changed, Cramer deemed it necessary to confirm the validity of the downloaded CRJ. Based on the procedures performed, it can be determined that the detailed CRJ agreed to the GL and could in fact be relied upon.¹⁷

Cramer attempted to reconcile the information from Muncity to the CRJ, but was unable to do so. After a lengthy discussion with the current Treasurer, it was communicated that the transactions from Muncity only post to certain accounts within the GL. Based on that information, Cramer summarized the transactions from the downloaded Muncity report for fiscal 2014 by the respective GL accounts and then compared the totals to the CRJ.

The Muncity report indicated that in fiscal year 2014, the total cash receipts (checks and cash) was \$591,956. However, after eliminating the voided transactions (\$21,450) and other duplicate entries (\$159,666) for a total reduction of \$181,116, the adjusted total cash receipts per the report was \$410,840. The following table illustrates a breakdown by GL account.

¹⁷ See section VI.C. for the details.

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Table 10

Summary of Municipality by GL Account for Fiscal 2014

GL Account Number	GL Account Description	Amount per Municipality Fiscal 2014	Adjustments		Adjusted Municipality Amounts
			Voided Transactions	Duplicate Entries	
		a	b	c	d = a-b-c
A2595	4-L RE Rental Permits	\$ 340,770	\$ 10,560	\$ 87,370	\$242,840
A1289	4-E Departmental Revenue	83,610	-	30,200	53,410
A1255	4-DD Clerks Fees	43,660	200	4,700	38,760
A2555	4-K Building & Alt Permits	61,966	3,380	21,866	36,720
A2501	4-JJ Bus & Occupational Lic.	34,980	690	9,430	24,860
A1540	4-EE Fire Inspection Fees	16,920	1,820	3,900	11,200
A2110	4-G Zoning Fees	10,050	1,300	650	8,100
	Unclassified in Municipity **	0	3,500	1,550	(5,050)
	Totals	\$ 591,956	\$ 21,450	\$159,666	\$410,840

** These transactions were not specifically assigned to GL accounts in Municipity.

Cramer then compared the totals to the CRJ for fiscal 2014. This analysis revealed that the net amounts of cash receipts per the Municipality report were greater than the amounts posted to CRJ by \$104,018, which represented a 25% discrepancy.

Table 11

Comparison of Municipality to the CRJ for Fiscal 2014

GL Account Number	GL Account Description	Adjusted Municipality Report Amounts	Balance per CRJ (Fiscal 2014)	Difference Municipality Greater than (Less than) CRJ
		A	b	c = a - b
A2595	4-L RE Rental Permits	\$ 242,840	\$ 203,380	\$ 39,460
A1289	4-E Departmental Revenue	53,410	-	53,410
A1255	4-DD Clerks Fees	38,760	28,506	10,254
A2555	4-K Building & Alt Permits	36,720	40,441	(3,721)
A2501	4-JJ Bus & Occupational Lic.	24,860	21,400	3,460
A1540	4-EE Fire Inspection Fees	11,200	9,795	1,405
A2110	4-G Zoning Fees	8,100	3,300	4,800
	Unclassified in Municipity	(5,050)	-	(5,050)
		\$ 410,840	\$ 306,822	\$ 104,018

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Cramer summarized the cash receipts entered into Municipality by source document type (i.e. check, cash, certified check, etc.). As expected, a majority of the funds received were in the form of checks and made up approximately 76% of all receipts.

Table 12

Sum of Cash Receipts by Type entered in Municipality for fiscal 2014		
Receipt Types	Amount	% of Total
Checks	\$ 312,170	76%
Inter-Department Fees	52,960	13%
Cash	42,110	10%
Certified Checks or Money Orders	3,600	1%
Total Receipts	<u>\$ 410,840</u>	<u>100%</u>

It would appear that more cash was collected than was recorded in the CRJ. However, Cramer was advised to stop all work so these discrepancies were not investigated further.

B. Deposit Bank Account Maintained by the Village

Based on discussions with Village personnel, Cramer learned that money received from Village residents is deposited into a bank account that was set up for the sole purpose of receiving Village revenues. Once the money is in the account, it is then transferred to a different bank account to be disbursed.

Cramer's objective was to determine if the cash received in the bank agreed to the amounts recorded in the books and records of the Village.

Reconciliation of Bank Statements for the Deposit Account and the GL

The Village provided electronic copies of the monthly bank statements from the General Fund Deposit Account for the period of June 2011 through May 2015. The account was held at Chase bank and named: General Fund Money Market Account (hereinafter referred to as "Deposit" account).

Cramer compiled all the individual statements and electronically summarized the deposits, electronic withdrawals and other fees for each fiscal year, respectively. The results were

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reconciled to the GL. There was only a minor difference of \$160 which represents .04% of the net activity.

Table 13

**Comparison of Deposits per the Bank vs. the GL (select accounts)
for the engagement period**

<u>Activity</u>	<u>Per Bank Statements</u> a	<u>Deposit Account GL Account 201</u> b	<u>Difference Bank less GL</u> c = a - b
Deposits	\$4,325,159	\$4,325,369	\$ (210)
Less: Disbursements	<u>(4,727,522)</u>	<u>(4,727,572)</u>	<u>50</u>
Net Activity – Deposits (Disbursements)	<u>\$ (402,363)</u>	<u>\$ (402,203)</u>	<u>\$ (160)</u>

Based on the above analysis, the cash received from the bank agreed to the amounts recorded in the books and records of the Village. However, as illustrated in Table 11, there was approximately \$100,000 that was recorded only in Municipality (not in the GL) and may not have been deposited.

In addition, there remains the issue of the missing cash receipt books. This unaccounted for cash was neither recorded in the accounting records nor in the deposit account at the bank.

C. General Fund's General Ledger

The Village uses an accounting software package called Sage (formerly known as Peachtree) for its GL and according to Village personnel, and has done so since its inception. This software is not integrated with any other of the Village's tax software programs. In Sage, journal entries record tax activity as well as payroll into the system.

The Village provided electronic downloads of its GL, CRJ, purchase journal ("PJ"), cash disbursements journal ("CDJ"), and other reports from its accounting software (collectively referred to as "accounting records") for fiscal years 2012 through 2015.

Cramer was given electronic printouts of the General Fund's GL for each of the fiscal years (which ended May 31) in an Adobe pdf format ("pdf"). However, the other journals provided were in Excel worksheets.

As previously mentioned, since the journals were provided in Excel, the possibility that the data could easily be manipulated and/or changed exists. As such, Cramer determined that before any of the journals could be relied upon, the accuracy and completeness of the information needed to be ascertained.

Tested the Completeness of the GL

Cramer electronically compared the details from each of the respective journals to the postings in the GL for fiscal years 2012 through 2015, and in turn, determined whether the information in the journals were posted in the GL. Cramer then summarized all the transactions from the GL's for each of the fiscal years and verified that the totals netted to zero.

Based on the procedures performed on the accounting records, Cramer determined that the Excel records were accurate and can be relied upon for further analysis. Cramer recommends that the Village make the necessary modifications to the accounting software so that reports may be printed or generated in a format that cannot be manipulated.

Since the various programs are not integrated, manual intervention is required to post information to the accounting books and records. This creates an environment not only for information to be incorrectly recorded but the possibility of fraud to occur. Cramer recommends that the Village consider either upgrading or changing its accounting software so that all the various systems such as the tax software and payroll are integrated.

D. Payroll

For the most part, the Village payroll consisted of several types of Employee Groups, including: Hourly, Less than 6 Hour Shift, Salary, and Full-time Hourly (Cramer will address these payroll classifications later in this report). In order to compute payroll, the Village utilized a time card program designed to capture both movement through the Village office as well as the time an employee clocked in/out via a physical time card machine,¹⁸ respectively. The time card program is referred to by the Village as "WASP". In order to move through the Village offices, all employees are issued key cards, which have a unique identification number. The key card is swiped at almost every doorway throughout the office and WASP tracks the movement of the employees via their key card swipes. For purposes of this report, all "swipes" refer to the activity related to a key card. In addition to key card swipes, WASP includes a physical time card

¹⁸ Certain employees were exempt from this requirement because of their position in the Village or their employment contact with the Village (i.e. Mayor, Village Clerk).

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machine where most employees are required to "punch" in and out. In these cases, the employee's time is manually entered into WASP thereby creating electronic time cards for payroll purposes. For example, employees who work for the Department of Public Works ("DPW") have offices in a separate location and in general, their work consists of projects around the Village. Sometimes, these employees did not swipe in or out, and their time was manually entered into WASP by Ms. Brojer.

When WASP was installed, the Village had to create certain protocols within the software for it to have the ability to calculate employee hours in accordance with the policies set forth by the Board. All Village employees were assigned to a specific group (profile type), and within each individual group, options were set up which included, but were not limited to, turning on a function that automatically rolled time forward or back to the nearest 15 minutes ("15 minute rule"); identifying times that individuals in that group may work; identifying when overtime was to be calculated; and determining when additional time would be added for breaks and meals.

Employees were supposed to punch in and out on a daily basis. However, exceptions were made for non-exempt employees,¹⁹ including DPW personnel, on occasion. Payroll was paid on a bi-weekly basis. Employees were compensated every other week for the time entered for the previous two weeks of time in WASP. For example, the payroll checks that would have been issued on October 4, 2013, were for the time worked for the two weeks ended September 27, 2013.

Once the information is captured, WASP generates employee time cards. The Accounting Department then enters these time cards into a separate payroll software program for computation and payment. Prior to October 2013, the Village either used its own accounting software or an outside payroll service to track, calculate and process payroll. Since that time and to date, the Village has employed an outside payroll service company, PBI Payroll Solutions ("PBI"), to process payroll, prepare government tax forms, and in some cases, even file the forms on behalf of the Village.

The individual who processed payroll for the Village was Ms. Brojer, the Deputy Treasurer. Ms. Brojer was responsible for reviewing time cards, manually entering time in WASP for employees working outside of the building and reporting this information to PBI for processing. In this capacity, Ms. Brojer had the ability to make changes, add information or delete information in WASP itself.

¹⁹ individuals who were entitled to receive over-time

After Ms. Brojer left her employment with the Village, she requested payment for unused vacation days. This request was referred to the current Treasurer, Ms. Bluth, who then attempted to determine the amount due. However, when Ms. Bluth began reviewing the payroll records, she noted there were unusual manual entries made into the WASP.

Cramer's objective was to ascertain whether the payroll records were accurate and complete; and to determine if employees were being compensated in accordance with the Village policies. In addition, Cramer would identify any unusual trends in the data.

1. Evaluation of time entered into WASP

Cramer was provided limited information from WASP to analyze. Village finance personnel were not familiar with WASP and did not know how to extract the reports Cramer deemed necessary from the system. Eventually, Cramer downloaded some reports that were useful.

One of the reports Cramer downloaded from WASP listed all manual changes made in the system ("change report") for the period of October 2012 through May 2015. The change report was broken down by employee and provided details of each manual modification, including: a description of the adjustment made (whether it was an add, change or delete), the initial date and time entered, the change made to the date and time, the date the change was made and who made the change.

2. Change Report

Cramer summarized the data and created a comprehensive report that detailed all manual changes made to WASP ("change report") for the period of October 2012 through May 2015.

Cramer noted that the only person who made manual changes into WASP was Ms. Brojer. In total there were more than 3,000 changes made during the period of October 2012 through May 2015 for 27 of the Village's employees. As previously reported, Village employees who worked outside of the building sometimes did not clock in or out, so Ms. Brojer manually entered their time into the system. As such, you would expect to see numerous adjustments made into WASP for these employees. However, Cramer's analysis of the change report found that the number of adjustments Ms. Brojer made for herself far exceeded the entries made for those individuals whose time could only be entered manually. More than 30% of all the manual entries made related to Ms. Brojer's time, as illustrated in the table below.

Table 14

Top Five Employees with the most manual changes made in WASP during the engagement period

Employee name (Last, First)	Number of Changes	Percent of Changes Compared to Total
Brojer, Jennifer	952	30%
Brojer, Timothy	452	14%
Staton, Linwood	408	13%
Perino, Frank *	295	9%
Zummo, Bruce *	132	4%
Totals for top five	<u>2,239</u>	<u>70%</u>
Total number of manual entries made in WASP	<u>3,197</u>	<u>100%</u>

* These individuals work for DPW sometimes did not clock in or out, therefore on occasion, their time was manually input.

Based on these findings, the Village requested that Cramer further investigate the top three individuals whose time had the greatest number of alterations. The first step in this process was to obtain more information from the Village. Based on the limited data available and the format that such data was provided, Cramer decided to begin the analysis by reviewing a single year's activity for Ms. Brojer, the person who had the most changes in WASP. Once that was complete, Cramer would perform the same analysis to the other years and ultimately to the other two individuals. Since payroll records are generally maintained on a calendar year, Cramer selected the calendar year ending December 31, 2014, to be analyzed first.

3. Analysis of Ms. Brojer's 2014 Time Entered and Paid

Since the Village's payroll is on a bi-weekly schedule, Cramer requested Village personnel download the final timecards and bi-weekly change reports for Ms. Brojer from WASP. The timecards could only be downloaded per pay period and the format of the data needed was not ready to be analyzed. Cramer fixed the format of the data and then proceeded to import all the timecards into the data mining software, where such information was combined and analyzed. The results were exported into an Excel spreadsheet.

Cramer requested a bi-weekly payroll report from PBI. The report provided by PBI (after several delays and requests for same) included the hours worked and the amounts paid to

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Ms. Brojer from October 2013 through January 2015 (covering the start of PBI's payroll processing for the Village through to the last payroll processed for Ms. Brojer). This report also included the type of compensation paid, such as vacation, regular, sick or overtime. Cramer compiled this information and used data mining software to assist in the data analytics procedures performed.

In calendar 2014, there were 424 manual entries made by Ms. Brojer to her time, and included adding time in, adding time out, deleting time in, deleting time out, changing time that was already in the system from key swipes, deleting time already in the system from key swipes, and in some cases, re-changing previously made manual adjustments .

The following table demonstrates that out of the 2,326 total hours reported to PBI for the 2014 calendar year, Ms. Brojer made 1,712 adjustments, effecting 74% of those hours. For these purposes, time entries that had no adjustments are considered "clean". In this case, there were only 614 hours or 26% of Ms. Brojer's total hours reported that were "clean".

Table 15

Summary of Ms. Brojer's Time Entered for the 2014 Calendar Year		
Total Hours Reported	Number of Hours	Hours as a Percent of Total
Punches only - with no changes	614	26%
Adjusted time - added and/or changed	<u>1,712</u>	<u>74%</u>
Total Hours Reported for Calendar 2014	<u>2,326</u>	<u>100%</u>

Since Ms. Brojer was paid on a full-time hourly basis, she was entitled to overtime for actual hours worked in excess of 40 hours per week. In addition, if she worked in the evenings, it appeared that she received an additional hour for a meal allowance. Cramer's analysis found that Ms. Brojer was assigned to the "Full-Time Hourly" pay group, which is the only classification that was entitled to a meal allowance of 60 minutes regardless of how many hours worked that day.

The WASP report of Ms. Brojer's time breaks down the total number of hours into types of compensation, including regular hours, overtime hours, sick pay and vacation pay, respectively. Of the 2,326 hours reported to PBI, 78% or 1,806 hours represented regular compensation; 11% or 248 represented absent hours; and 12% or 272 represented overtime hours. The number of hours or absent hours is the equivalent of 31 days (248 hours at 8

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compensation; 11% or 248 represented absent hours; and 12% or 272 represented overtime hours. The number of hours or absent hours is the equivalent of 31 days (248 hours at 8 hours per day). According to Village's Board resolution dated November 30, 2011, full-time employees are entitled to two weeks of paid vacation (10 days) and six (6) sick days, for a total of 16 days of time paid. Based on the amounts reported to PBI, Ms. Brojer was compensated for an additional 15 days of absent hours, which cost the Village approximately \$2,500.

Table 16

**Breakdown of Ms. Brojer's Hours for Calendar 2014
Reported to PBI by Category**

<u>Category</u>	<u>Number of Hours</u>	<u>Hours as a Percent of Total</u>
Regular	1,806	78%
Absent	248	11%
Overtime	<u>272</u>	<u>12%</u>
Total Hours Reported for Calendar 2014	<u>2,326</u>	<u>100%</u>

Cramer determined that even though overtime hours represent about 12% of total hours reported, that when the dollar amount of those hours are calculated, the impact on the total amount paid rises to 17%. As such, overtime hours make up a significant portion of the annual compensation paid to Ms. Brojer.

Since Cramer was advised to stop working, the analysis to quantify the overtime amount received as a result of Ms. Brojer's changes to WASP was not completed.

Table 17

**Dollar Value of Ms. Brojer's
Hours Reported to PBI for Calendar 2014**

<u>Category</u>	<u>Amount Paid *</u>	<u>Amount Paid as a Percent of Total</u>
Regular	\$ 37,702	73%
Absent	5,193	10%
Overtime	<u>8,492</u>	<u>17%</u>
Total Value of Hours Reported	<u>\$ 51,387</u>	<u>100%</u>

Cramer's forensic analysis of the data extracted from WASP raises many issues concerning Ms. Brojer's time. It revealed that Ms. Brojer's manipulation of her own time worked to her advantage on multiple levels. She regularly received excessive overtime, and often a full day's work was paid as pure overtime. Further evidence of Ms. Brojer's control over WASP was demonstrated by the sheer number and timing of changes she made, with the lack of supervision and/or accountability.

4. Review of PBI Check History Report and Insurance Declination

Cramer's review of the Check History Report received from PBI for Ms. Brojer, Mr. Brojer and Mr. Staton, respectively revealed that Ms. Brojer received additional money each pay period for five months in 2014 (August through December) because she declined insurance coverage through the Village. The insurance declination payments she received during calendar 2014 totaled approximately \$3,385.

Interestingly enough, Mr. Brojer declined the Village's insurance from January 2014 through July 2014, and he received approximately an additional \$4,308 during that period. Combined they received \$7,693 in such payments.

It goes without saying that any individual has the right to accept or decline insurance coverage. However, in this case, the consecutive nature by which the Brojer's declined the Village's insurance coverage is questionable.

Although the Village has a policy which addresses insurance buybacks, it does not cover the issue of spouses working together. If the Village's insurance policy covers one's spouse, then the manner in which the Brojers, as a married couple, declined the insurance could be considered "double dipping" - by receiving what amounts to a full year of health benefits for the two of them, but simultaneously receiving a total of \$7,693 in insurance declination payments. If, in fact, this is what occurred, it is strongly suggested that the Village re-examine all policies relating to family members, including insurance coverage

Regardless of whether the Village had a policy in place concerning insurance benefits for spouses, the Brojer's nonetheless had a fiduciary obligation to protect the funds of the Village, by virtue of their respective positions.

5. Review of Wasp Protocols by Employee Group Type

Village personnel were unable to generate a report with the breakdown of the protocols set up in WASP for the various groups of employees. Instead, they provided Cramer with screen shots of all the settings for each group of employees.

Cramer created a table comparing each of the Village's Employee Groups, including work week schedules, time in/time out rules, number and duration of breaks and meals as well as overtime calculation methods. In general, there was consistency across the groups when it came to the time in/time out rules and the overtime calculations. However, the same cannot be said for breaks, meals and work week schedules.

6. Breaks and Meals Parameters Set Up in WASP

When reviewing the daily breaks that the employees were entitled to, Cramer noted that "Full-Time Hourly Employee" group, which included Jennifer Brojer, was set up to allow one (1) *paid* 60 minute break during the day, whereas all the other groups received either two (2) *paid* 15 minute breaks or one (1) *paid* 30 minute break, at best. This means that the "Full-Time Hourly Employee" group is the only group to receive one (1) *paid* 60 minute meal during the workday.

Cramer found that the time schedule listed for the "Full-Time Hourly Employee" group was Monday to Friday, from 7:00 am to 12:30 am. Although other groups are listed as working Monday to Friday, or even a full week, none covered a 17 hour period of time during which the employee can work. In fact, the next closest is the "Highway" group whose employees may work from 7:00 am to 7:00 pm, and whose time was manually entered. As previously mentioned, this is relevant because the time schedules set up in WASP only allowed for the "Full-Time Hourly Employee" group employee to get paid (regular and overtime) for working anytime during this 17 hour period – without having to override the system.

As communicated to Cramer, Ms. Brojer was the person who was responsible for entering all information into WASP. Therefore, it can be assumed that Ms. Brojer set the perimeters for each Group, including her own. It appears from Cramer's examination of the screen shots, that the most favorable conditions exist for the "Full-Time Hourly Employee", which as previously mentioned, coincidentally includes Ms. Brojer.

In addition, current Village personnel were unable locate any signed employment contract entered into between the Village and Ms. Brojer or any Board resolutions which authorized the 60 minute meal allowance she utilized.

7. Observations Pertaining to Mr. Brojer's Payroll

While reviewing both PBI's Check History Report and the parameters set up in WASP, Cramer noted that Mr. Brojer's employment status changed in July 2014 (the same time he stopped receiving the insurance declination payment). Village personnel informed Cramer that Mr. Brojer went from being a full-time salaried employee to the status employee group of "Less Than 6 Hour Shift" (as denoted in WASP). In WASP, employees in this category can work Monday to Friday from 9:00 am to 4:30 pm. A review of the WASP Change History Report revealed that after July 2014, there were several instances where time was added indicating that Mr. Brojer worked after 4:30 pm.

It should also be noted that the PBI Check History Report indicates that Mr. Brojer received forty (40) hours of combined paid vacation and sick time which totaled approximately \$1,200 during the time when he was a "Less Than 6 Hour Shift" employee. As previously indicated, this raises questions as to whether Mr. Brojer was entitled to receive these monies, while for all intended purposes, he was a part-time employee.

In addition, Cramer noted that Mr. Brojer received full-time employment benefits for unused vacation and sick time (approximately \$5,800) before transitioning into his part-time position mid-year 2014. The issue remains as to why the unused vacation and sick time was not prorated at the time of his transition from full time employee status to part time employee status.

Although Cramer was asked to stop all investigative analysis in this regard, further examination of this issue is suggested.

Based on the procedures performed related to payroll, Cramer noted a significant number of inconsistencies in the data. This meant that the methodology being applied to the data had to constantly be modified. The reports that Village personnel accessed were extremely limited and may not have necessarily depicted or represented a comprehensive detailing of the entire payroll process and standings. In order to more effectively perform a detailed analysis, Cramer would need to have WASP provide custom reports from the system's "back end" information.

As indicated by Cramer's findings, it seems that Ms. Brojer had "free rein" to make any changes that she so desired in the WASP system. It appears that Ms. Brojer made more changes than the number of days in a calendar year. Clearly, her making 424 changes to her own time cards in 2014 seem egregious on its face. One can conclude that the

changes were made to increase her compensation. More specifically, Ms. Brojer consistently manipulated the system by either increasing the number of hours "worked", changing the time in order to benefit from the "15 minute rule"²⁰, causing time to be classified as overtime, or invoking the additional meal allowances within WASP. However, due to the lack of comprehensive reports from WASP and from PBI, together with the unreliable key swipe system, there is no way to confirm whether Ms. Brojer worked all the hours she claimed.

E. Robin Hood Grant

Cramer's forensic investigation focused on how grant money received from Robin Hood was awarded and distributed to Village residents.

The procedures performed included but were not limited to: reviewing source documents and other relevant information, applying data analytics and communicating extensively with Village personnel.

Cramer reviewed the Village's correspondence to its residents, reconciled the bank account that was set up specifically for the Robin Hood funds, applied various analytical procedures to the spreadsheet used to track the grant money; and re-scored the applications.

Based on the procedures performed and the findings documented, it can be determined that the Village did not consistently follow the guidelines set by Robin Hood.

VII. Conclusion:

The Village retained Cramer to perform a forensic investigation of various activities, including but not limited to, the Village's tax revenues received, payments made to vendors, accounting software and payroll. Based on the procedures performed and the findings documented, Cramer determined that the Village may be losing out on revenue for those properties that were missing from its property tax software. The absence of a full-time Tax Assessor on staff may limit the Village's ability to collect more money from property tax assessments. Based on the manual journal entries posted to specific property tax accounts within the general ledger, it would seem that the tax software is not reconciled to the GL on a regular basis. It would greatly benefit the Village if it could obtain the specialized

²⁰ See detailed explanation above in section IV. D., paragraph 2

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government software that would automatically capture all the property addresses within its borders and update automatically for any newly enacted legislation.

Cramer was not able to ascertain the completeness or accuracy of the information entered into the Village's Municipality tax software program. Presently, there does not seem to be procedures in place to reconcile the data entered into the program. As a result, the opportunity for inaccurate information to be recorded is prevalent. In addition, the Village relies on individuals to collect monies, enter data and maintain the records for Municipality without check and balance measures in place. Consequently, there is an inherent possibility for human error.

According to current Village personnel, the practice of issuing manual cash receipts has been stopped. All cash receipts are currently being entered into Municipality.

Cramer recommends that the Village consider either upgrading or changing its accounting software so that all the various systems, including the tax software and payroll systems, are integrated. Currently, the various programs are not integrated and manual intervention is required to post information to the accounting books and records. This creates an environment not only for information to be incorrectly recorded but for the possibility of fraud to occur as well.

Based on the procedures performed, Cramer noted a significant number of inconsistencies in the payroll data. The reports that Village personnel accessed were extremely limited and may not have necessarily depicted or represented a comprehensive detailing of the entire payroll process and standings.

Cramer recommends that the Village evaluate a more comprehensive time card system that has better reporting features, and as previously mentioned, can be integrated with the accounting systems. The time frame examined by Cramer revealed that Ms. Brojer had unilateral management over the payroll system, including its set up, time entries and alterations. The Village needs to implement strong internal controls to its payroll system so as to prevent any one individual from having sole ownership of payroll. In addition, Cramer strongly suggests that the Village evaluate its own policies related to hiring spouses so as to avoid any possibility of collusion, specifically addressing its policy on spousal insurance grants and declinations

As previously mentioned, the Village requested that Cramer perform a forensic investigation of grant monies received from the Robin Hood Foundation. Based on the procedures performed and the findings documented, it can be determined that the Village did not consistently follow the guidelines set by Robin Hood. Details of that study are reported separately.

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At the end of August 2015, Cramer was advised to stop all work, discontinue any additional analyses and cease reviewing documents that were recently made available. The Village requested that Cramer provide a summary of procedures performed and the related findings to date.

As a result of this work stoppage request, there were two areas of concern that were not investigated at the time of this report. These included Vendor Payments and the Accounting Software, respectively.

In conclusion, the combination of high turn-over in the Village Board and its personnel, coupled with the lack of internal controls, lack of oversight, lack of segregation of duties and the fact that a certain individual had too much control, all resulted in an environment that is vulnerable to fraud.