

**Nassau County**

**Office of the Comptroller**



**Limited Review of  
Clinton G. Martin Park District**

**GEORGE MARAGOS**

*Comptroller*

**May 27, 2014**

**NASSAU COUNTY**  
**OFFICE OF THE COMPTROLLER**

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## Executive Summary

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### **Introduction**

The Clinton G. Martin Park District (“CGM” or “District”) was established in 1962 for the sole use of district residents. The park provides a pool, community center, playground and tennis courts for its residents. The park is managed and operated by the Town of North Hempstead (“Town”). The Board members serve and function as representatives for both the Town and the Park Districts. The Town-wide board minutes include all Board Resolutions regarding CGM matters. CGM’s daily operations are funded through taxes and park fees.

### **Purpose**

The purpose of the review was to determine that internal controls over Clinton G. Martin Park District financial operations were adequate to ensure proper separation of financial records between the District and the Town, revenues collected were used for park expenses and transfers between the CGM and the Town were correct and performed timely.

### **Summary of Work Performed and Significant Findings**

Our review identified the following significant findings:

- The Town failed to make lease payments totaling \$180,000 to CGM from 1991 to 2002, but caught up on the past due amount in 2011.
- Errors in the reclassification of park employee salaries were not always identified and corrected in a timely manner.
- Town administrative salaries and other expenses are allocated to CGM based on budget appropriations instead of actual costs. There was no evidence of inappropriate charges.

We specifically inquired about the other non-lease related concerns raised by certain residents and found no issues, as follows:

- Since Board members of the CGM Park and the Town are the same individuals, there was a question about whether the Board members were adequately separating their functions as representatives of both entities. We determined that New York Town Law § 198.4 grants the Town Board the authority to act as the governing body for the CGM district. A separate governing Board is not required or permitted under the law. We determined that CGM governance matters and any resulting Board resolutions were discussed and voted on during the Town-wide board meetings which occurred approximately every three weeks.
- The resident claimed that cash was not safeguarded saying it was “just cash in a box”. We found that cash, checks and credit card charges were adequately controlled and

## Executive Summary

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properly coded as CGM receipts, deposited in the bank and reported in the CGM general ledger.

- The resident claimed that CGM was being charged for items that never went to the park and that Town-related events held at CGM were inappropriately charged to CGM. We traced cash disbursements on a test basis to supporting invoices, contracts, agreements and allocation support and verified the accuracy and appropriateness of the disbursements. Further, we noted that CGM was not charged for the summer events held at the Park for 2011 and 2012.
- A concern was raised that the cost of parking lot maintenance should not be absorbed by CGM, but shared with the Town. We determined that parking lot costs for routine maintenance work were not charged to CGM, since this work was performed by CGM employees. Other parking lot work done by the Highway Department was correctly charged directly to CGM.
- Lounge chairs were reported as being marked “the property of CGM” but seen at other parks. We were advised that the lounge chairs are often shared among the parks depending on need; some of the older chairs are sent to the less populated parks rather than disposing of them.

### **Summary of Significant Recommendations:**

- The Town should continue to monitor lease payments to ensure payments are made to CGM on a timely basis.
- The accounting review of the salary expense reclassifications related to park employees should be improved to ensure that errors are identified prior to processing and corrected in a timelier manner to ensure that the CGM expenses are accurately stated in the proper reporting period.
- The allocation of Town and park administrative salaries and other expenses should be based on actual costs.

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The matters in this report have been discussed with the officials of the Town of North Hempstead. On May 5, 2014 we submitted a draft report to the Comptroller of the Town of North Hempstead. The Comptroller provided her response on May 16, 2014 which is included as an Appendix to this report.

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## Introduction

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### **Background**

The Clinton G. Martin Park (“CGM” or “District”) District is a special park district in the Town of North Hempstead (“Town”). CGM offers an outdoor pool complex with a 50 yard family pool, children’s wading pool and playground, snack bar, platform tennis courts, and community center. CGM’s revenue and expenses for 2011 and 2012 are shown in Exhibit I. The majority of the revenue is derived from District tax levies and park facility charges and the major expenses consist of salaries, fringe benefits and administrative and park charges.

### **Exhibit I**

#### **Clinton G. Martin Special Park District Statement of Revenues and Expenses Years Ended December 31, 2011 and 2012**

<b><u>Revenues</u></b>	<b>2011</b>	<b>2012</b>
Real Property Taxes	\$ 729,694	\$ 729,726
Special Rec Facility Charges Beach & Pool Fees	356,940	336,043
Interfund Revenues	30,000	87,302
Federal & State Aid, Emergency Disaster Assistance	-	31,963
Rental of Real Property	15,000	15,000
Concession Fees	7,500	7,500
Interest Earned	1,572	1,665
Other Revenue	523	485
<b>Total Revenues</b>	<b>\$ 1,141,230</b>	<b>\$ 1,209,684</b>
<b><u>Expenses</u></b>		
Salaries	\$ 501,366	\$ 580,537
Fringe Benefits	191,990	187,136
Administrative Charges	181,968	196,246
Utilities	79,610	82,592
Operating Expenses	78,322	62,220
Debt & Interest Expense	38,312	16,007
Other Operating Expenses	7,474	4,160
<b>Total Expenses</b>	<b>\$ 1,079,042</b>	<b>\$ 1,128,898</b>
<b>Revenues in Excess of Expenses</b>	<b>\$ 62,188</b>	<b>\$ 80,786</b>

## Introduction

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### **Operations**

Admission to CGM is limited to residents of the New Hyde Park District<sup>1</sup> and their guests. CGM maintains a separate budget from the Town and funding is derived mainly from the District tax levy and park fees. Town employees operate and maintain the CGM facilities and their salaries are charged to CGM's expenses.

CGM's daily operations are managed by District employees. The financial accounting and reporting is managed by both District employees and certain Town personnel. In addition, the seasonal workers, such as lifeguards, may not be dedicated to CGM and can move from park to park depending on staffing needs. As a result, a portion of CGM's salary expense is in the form of an allocation chargeback from the Town.

The Town maintains separate accounting records for the District and uses assigned codes to identify CGM's receipts and disbursements recorded in the General Fund bank account. Due to the low annual revenue and expenses for CGM, its financial information is accounted for as a non-major fund and is aggregated with two other Town Parks for financial accounting and reporting purposes in the Town's Annual Consolidated Financial Reports ("CAFR")<sup>2</sup>. CGM governance matters and any resulting Board resolutions are discussed and voted on during the Town-wide board meetings which occur approximately every three weeks.

### **Timeline of Events**

The Comptroller's Office's decision to initiate a limited review of the District was in direct response to serious concerns raised by certain District residents. These concerns stemmed primarily from a lease that the Town signed with the District in 1990 for use of District property to build a community center. According to the lease, the Town agreed to pay the District \$15,000 per year for use of the land. The residents were concerned because rent payments accumulating to \$180,000 had not been paid to the District from 1991 to 2002. When residents tried to obtain information about the matter, they were met with resistance and became concerned about the lack of transparency with the accounting records. Questions were raised about whether District funds were being used solely for the benefit of its residents and whether funds may have been improperly transferred from the District's Funds to the Town or that Town expenses were inappropriately allocated to the District.

The Comptroller's Office first attempted to conduct the limited review of the District on February 23, 2011. The Town responded that the Comptroller's Office did not have the authority to conduct a limited review of the CGM Park District and refused to allow the review to proceed. The Comptroller's Office's authority to audit CGM is included in the District's Charter §402(6)<sup>3</sup>, which provides that the "Comptroller shall examine and audit of his own motion or when

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<sup>1</sup> Board Resolution no. 294-1962 established the New Hyde Park District to be used for park purposes.

<sup>2</sup> Governmental Accounting Standards Board Statement No. 34 states "Nonmajor funds should be reported in the aggregate in a separate column."

<sup>3</sup> County Government Law of Nassau County: The Nassau County Charter, December 31, 2010.

## **Introduction**

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directed to do so by resolution of the County Legislature, the accounts and records of any town or special district.”

The Town initiated legal action after legal action over a two year period, involving three court appeals, challenging the County Comptroller’s authority to audit the Town’s Special Park District. After the Court upheld the County Comptroller’s right to audit CGM, the Town permitted the Comptroller’s Office to proceed with the audit on May 7, 2013.

### **Objective, Scope and Methodology**

The objective of the review was to follow-up on the aforementioned concerns of the District’s residents. Specifically, the scope was focused on answering the following questions:

- Has the CGM District established adequate internal controls over its operations to protect CGM assets against fraud, abuse, and professional misconduct, and are those controls operating effectively?
- Are all taxes collected by the CGM District utilized solely for the park’s expenses?
- Is the Town of North Hempstead properly reimbursing the Park District for use of its facilities?
- Are the Board members who serve on the Town Board and the District adequately separating their functions as representatives of both entities?

Our review covered the period from 2011 to 2012 and included any transactions dating back to the inception of the land lease. The scope of our review was limited to an examination of the District’s policies and procedures. We were only permitted to review Town policies and processes to the extent they applied to the District. For example, since the District utilized the Town’s payroll and disbursement processes we were allowed to review these Town processes and records as they related to the District.

Our approach included:

- discussions with key personnel to determine daily operating processes and controls;
- obtaining written policies and procedures to evaluate controls over the processing of cash receipts, disbursements and the allocation of payroll and administration expenses to the District to ensure that the financial information is accurately authorized, supported and recorded;
- reviewing contracts and procurement practices and related disbursements for compliance on a test basis; and
- testing of cash receipts, cash disbursements, time and leave, and payroll records, for proper authorization and adequate support.

## Findings and Recommendations

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### Review Finding (1):

#### The Town Failed to Make Lease Payments Totaling \$180,000 to CGM from 1991 to 2002, but Caught Up on the Past Due Amount in 2011

In 1990, the Town leased land on the property of the CMG District for 40 years and built a community center. The Town agreed to pay CGM \$15,000 per year. Exhibit II below is a summary of the lease payments.

### Exhibit II

#### Summary of Lease Payments

<u>Year</u>	<u>Annual Lease Amount</u>	<u>Paid by Town</u>	<u>Balance Owed</u>
1990	\$ 15,000	\$ 15,000	\$ -
1991	15,000	-	15,000
1992	15,000	-	30,000
1993	15,000	-	45,000
1994	15,000	-	60,000
1995	15,000	-	75,000
1996	15,000	-	90,000
1997	15,000	-	105,000
1998	15,000	-	120,000
1999	15,000	-	135,000
2000	15,000	-	150,000
2001	15,000	-	165,000
2002	15,000	-	180,000
2003	15,000	105,000	90,000
2004	15,000	25,000	80,000
2005	15,000	25,000	70,000
2006	15,000	25,000	60,000
2007	15,000	25,000	50,000
2008	15,000	-	65,000
2009	15,000	-	80,000
2010	15,000	15,000	80,000
2011	15,000	95,000	-
2012	15,000	15,000	-
2013	15,000	15,000	-
	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ -</u>

## Findings and Recommendations

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As reflected above, the Town did not make the annual lease payments from 1991 to 2002, resulting in an outstanding amount due CGM of \$180,000 as of December 31, 2002. Beginning in 2003 and through 2007, the Town began to pay the annual lease amount plus an amount to be applied to the past due balance, but then stopped making any payments again in 2008 and 2009. We were advised that this was because the Town purchased chlorine tanks in 2008 on behalf of CGM at a cost of \$89,000 and anticipated applying this cost toward the lease obligation. Our review found that the Board resolution authorizing the cost of the chlorine tanks to be applied against the past due balance was passed in 2011, and it was at this time that the Town became current on its lease payments to CGM. We verified that the Town made the annual \$15,000 payment to CGM on time in 2010 and also in 2011, 2012 and 2013 and thus, continue to remain current.

### **Recommendation:**

We acknowledge the Town's efforts to resolve the unpaid lease obligation and recommend the Town continue to ensure the lease payments are made in a timely manner.

### **Review Finding (2):**

#### **Errors In The Reclassification of Park Employee Salaries Were Not Always Identified and Corrected In A Timely Manner**

As shown in Exhibit III below, the CGM District employed six full time park employees<sup>4</sup> in both 2011 and 2012; the district also employed 50 part-time employees in 2011 and 58 part-time park employees in 2012.

### **Exhibit III**

#### **Clinton G. Martin Special Park District CGM Payroll - Salaries Years Ended December 31, 2011 and 2012**

	<b>2011</b>		<b>2012</b>	
	<b># of Employees</b>	<b>\$</b>	<b># of Employees</b>	<b>\$</b>
Full-Time	6	\$ 307,550	6	\$383,566
Part-Time	50	193,816	58	196,971
		<u>\$ 501,366</u>		<u>\$580,537</u>

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<sup>4</sup> The salary expense for full-time park employees included two retirees' unused vacation payouts in 2011 and 2012.

## Findings and Recommendations

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We verified the salary amounts shown to the CGM general ledger, the employees' W-2's<sup>5</sup> and to the Form NYS 45's<sup>6</sup> for 2011 and 2012. For 2012, we reviewed the attendance records for the six full-time employees who earned \$383,566 and for 15 of the 58 part-time employees who earned \$73,795 of the \$196,971 and verified the hours worked. We found no exceptions in the time and attendance records reviewed and noted that, except for the salary reclassification errors noted below, the salary expenses were properly recorded.

### Salary Reclassification Errors

We noted several instances where employee salaries were charged to the Town or other parks in error, requiring reclassification entries. We reviewed these salary reclassification entries for 2011 and 2012 to determine whether sufficient documentation existed to support the appropriateness of the resulting expenses charged to the CGM District. The documents for the salary reclassification entries provided by the Town were approved by the accounting supervisor and were sufficient to support the charges to CGM. The following errors were found:

- Duplicate journal entries were made to correct an error. The original error of \$16,770 was a 2012 charge to the Town for the salary and benefits of a CGM staff person. The entry to reclassify the salary to CGM was duplicated, resulting in CGM being charged twice for this individual's salary. Even though the Town stated they had already identified the error, we noted that the correction was done after our inquiry and not on a timely basis.
- The 2012 budget appropriation included the approval to split a CGM staff person's time between two parks and charge fifty percent of the cost to the other Park. The Town's payroll is set up to charge one location 100% of an employee's salary; in this case, CGM was charged for the full amount. In order to charge portions of an employee's salary to another location, a reclassification entry has to be processed; in this case 50% had to be charged to the other park. We reviewed the payroll and time records to support the staff person's salary and time at CGM Park and identified a clerical error of \$619, that when brought to the Town's attention, was corrected in the final 2012 financial statement. The error was not detected by the accounting management review.
- A staff person's salary was charged to CGM instead of another park. The Town stated the miscoding had been identified prior to our review but was not yet corrected because they had not concluded whether it would be corrected in 2012 or 2013. We verified that the error was eventually corrected and reflected in the 2012 financial results. A careful review by management prior to processing the entry would have detected the error.

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<sup>5</sup> Wages earned as an employee are reported on the IRS Form W-2.

<sup>6</sup> Quarterly salary information is reported to New York State on Form NYS 45. Salary expenses were verified to Form NYS 45's for full and part-time employees in 2011 and full time employees in 2012.

## Findings and Recommendations

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### **Recommendation:**

We recommend that the accounting review of entries to reclassify salary expenses between the Town and the parks be improved prior to processing to help ensure errors are detected and corrected in a timelier manner.

### **Review Finding (3):**

#### **Town Administrative Salaries and Other Expenses Are Allocated to CGM Based on Budget Appropriations Instead of Actual Costs**

CGM is operated and managed by both CGM and Town employees. The salary and fringe benefits for the CGM employees (previously discussed in Review Finding 2) are a direct charge from CGM's payroll whereas the support services performed by the Town administrative staff employees on behalf of CGM are charged to CGM through a budget allocation. These services are performed by employees in several Town Departments including the Comptroller's Office, the Department of Information Technology and the Department of Public Works. As shown in Exhibit IV below, the budgeted Town administrative salary and fringe benefit expense charges to CGM were \$150,584 and \$158,286 in 2011 and 2012, respectively and represented approximately 2% of the budgeted Town salaries deemed allocable.

### **Exhibit IV**

#### **Clinton G. Martin Special Park District Allocations - Indirect Salary & Other Charges Years Ended December 31, 2011 and 2012**

	<u>2011</u>		<u>2012</u>	
	<u>Allocable Town Salaries</u>	<u>Allocated to CGM</u>	<u>Allocable Town Salaries</u>	<u>\$</u>
Town Salaries & Fringe	\$7,231,927	\$ 150,584	\$8,518,745	\$ 158,286
Other Expenses		31,384		37,960
		<u>\$ 181,968</u>		<u>\$ 196,246</u>

## Findings and Recommendations

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We examined the charges allocated to CGM's books to determine whether they were properly supported, appropriate and reasonable. We determined that an analysis of actual costs to budget amounts to determine the need for adjustments to the allocation was only first implemented in 2013. In general, the use of budgeted amounts for the allocation of administrative salaries and other expenses to CGM may not always be accurate, requiring adjustments that may be prone to error.

In order to determine the reasonableness for the 2012 allocation, we requested and were provided with a schedule of actual costs for 2012. We compared the actual amounts to the budget expenses that were the basis for the allocations and found no adjustments were needed for 2012.

### **Recommendation:**

We recommend that the Town reconsider its practice of allocating costs based on budgetary amounts and instead use the actual costs.

**Appendix – Clinton G. Martin Response**

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*Supervisor*  
JUDI BOSWORTH

*Town Board*  
VIVIANA L. RUSSELL  
PETER J. ZUCKERMAN  
ANGELO P. FERRARA  
ANNA M. KAPLAN  
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**TOWN COMPTROLLER**  
KATHLEEN H. MITTERWAY

**DEPUTY COMPTROLLER**  
DIANE M. CHAMBERS

**VIA E-MAIL AND U.S. MAIL**

May 16, 2014

JoAnn F. Greene  
Nassau County Office of the Comptroller  
Director of Field Audit  
240 Old Country Road  
Mineola, NY 11501

Re: Limited Review of the Clinton G. Martin Park District

Dear Ms. Greene:

Thank you for your draft report. On behalf of the Town of North Hempstead, I offer the following comments in response to the significant findings and the review findings:

**Significant Findings:**

The Town agrees with the Comptroller that there is no issue to the claims raised by one or more residents. The Town Board properly governs the District; cash, checks and credit card charges are adequately controlled and credited to the Clinton G. Martin Park District; Town events held at the Clinton G. Martin Park were not charged to the District during the years under review; parking lot maintenance costs are properly charged; and, lounge chairs are distributed to other less populated parks in lieu of disposing of them.

**Review Finding (1):**

The Town agrees with the Comptroller that the Town is up to date on rental payments from the Town to the Clinton G. Martin Park District for the community center at Clinton G. Martin Park. The Town will continue to ensure the lease payments are made in a timely manner.

**Review Finding (2):**

The Town agrees with the Comptroller that hours worked were properly recorded. The Town will continue to perform a secondary review of accounting entries prior to processing.

## Appendix - Clinton G. Martin Response

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Review Finding (3):

The Town agrees with the Comptroller's recommendation that the costs allocated to the Clinton G. Martin Park District, based on budget amounts, should be reconciled and adjusted, if necessary, to the actual cost of services provided.

Sincerely,



Kathleen H. Mitterway  
Comptroller

cc: Judi Bosworth, Supervisor, Town of North Hempstead  
Jennifer A. Fava, Commissioner of Parks, TONH Parks and Recreation