



*Village of Northport*

*Agreed Upon Procedures Report  
Pertaining to the Village's Disbursements*

*February 2022*



*Village of Northport*  
*Agreed Upon Procedures Report*  
*Pertaining to the Village's Disbursements*  
*February 2022*

**Table of Contents**

<b>Scope of Engagement.....</b>	<b>2</b>
<b>Work Performed .....</b>	<b>3</b>
<b>Executive Summary .....</b>	<b>3</b>
<b>Benford's Law Distribution Analysis.....</b>	<b>4</b>
<b>Assessment of Internal Controls.....</b>	<b>5</b>
<b>Statement Of Limiting Conditions .....</b>	<b>6</b>

**Scope of Engagement**

Pursuant to the request of the Incorporated Village of Northport ("Village"), and in accordance with the October 29, 2021 engagement letter, we have performed agreed upon procedures pertaining to select records and transactions of the Village. We performed analytical and testing procedures and assessed internal controls surrounding purchasing, cash disbursements, and bank reconciliations for the period of September 2019 through August 2021.

The purpose of this report is to communicate the work performed to date and summarize our observations. Our findings and observations expressed herein are based on our work performed to date, and we reserve the right to supplement, update, or otherwise modify this report at a later date at such time as additional information comes to our attention.

***Incorporated Village of Northport  
Agreed Upon Procedures Report Pertaining to the Village's Disbursements  
February 2022***

**Work Performed**

Our analysis consisted of the following:

1. Examined the following documents:
  - a. Documented procedures surrounding accounting, cash disbursements, and bank reconciliations prepared by the Village Office.
  - b. Organizational chart applicable to the Village Office.
  - c. Bank statements and credit card statements for the period of September 2019 through August 2021.
  - d. Expense ledger generated by the accounting system KVS Enterprise indicating cash disbursements for the period of September 2019 through August 2021.
  - e. General ledger generated by KVS Enterprise applicable to the Capital, General, Sewer, and Trust funds for the period of September 2019 through August 2021.
  - f. Journal entry register generated by KVS Enterprise for the period of September 2019 through August 2021.
  - g. Voucher packets, invoices, purchase orders, contracts, and supporting documentation for select transactions for the period of September 2019 through August 2021.
2. Initial planning and interviews with the Village Treasurer, current Deputy Treasurer, Payroll Clerk, and part-time Bookkeeper. During our meetings, we had the opportunity to review documents and direct inquiries regarding transactional records, supporting documents, and timely reporting. The purpose of these interviews was to obtain knowledge as to each individual's job duties, the various business records maintained, day-to-day responsibilities, who they reported to, and who they supervised.
3. Prepared analysis and report. Assessed possible improvements pertaining to the internal controls of the Village's Office. Such recommendations are presented within each applicable report section.

**Executive Summary**

We analyzed the bank statements, expense ledger report generated by the Village accounting system (KVS Enterprise), and applicable supporting documentation. Based on our analysis, we have summarized below certain Village expenses that directly and personally benefited Laura Whitney Kaplan, the former Village Deputy Treasurer, over the period analyzed:

<b><u>Date</u></b>	<b><u>Vendor</u></b>	<b><u>Amount</u></b>
07/21/2021	AT&T	\$132.37
05/14/2021	AT&T	\$308.22
05/17/2021	LIPA	\$144.00
<b>Total</b>		<b>\$584.59</b>

*(\*) Calculations are subject to change pending the receipt of additional documentation.*

The Village Office has developed internal controls in the accounts payable area whereby claims for payment are supported by voucher forms and invoices and are reviewed by the Village Treasurer, Department Heads, or Board Trustees prior to payment processing. Due to the COVID-19 pandemic period, the Village Office experienced a delay in making payments and decided to process online auto payments for select utility services.

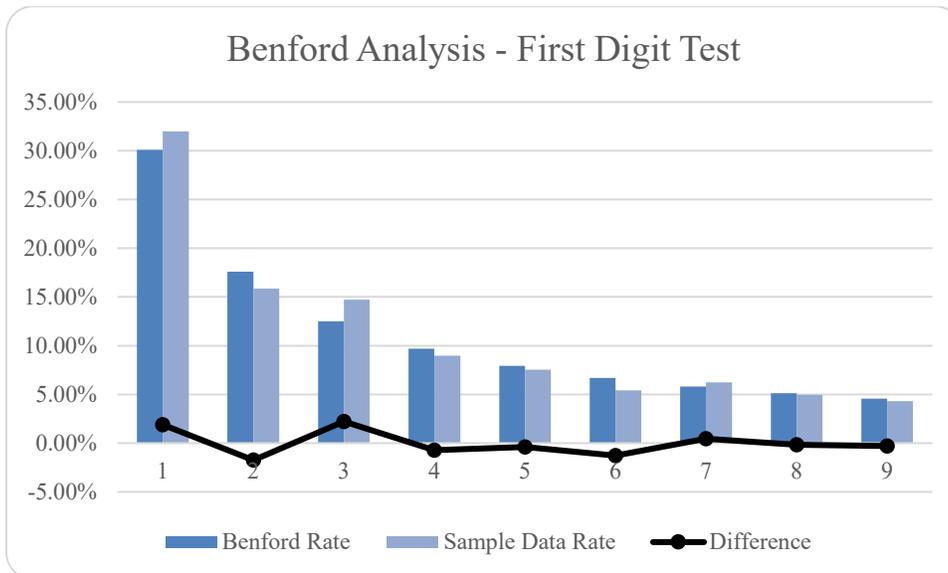
***Incorporated Village of Northport  
Agreed Upon Procedures Report Pertaining to the Village's Disbursements  
February 2022***

When the Village Office implemented this new payment process, the former Village Deputy Treasurer processed the online payments over the phone and through vendor websites by utilizing the Village's bank account and routing number. These online transactions were not reported on the Village's warrant schedules to be reviewed by the Village Treasurer, Department Heads, or Board Trustees. The Village Office identified the transactions outlined in the table above in September 2021. Since then, the Village Office has implemented controls to reconcile the bank statements in the immediate subsequent month.

Based on the bank statements and accounts payable voucher packets we analyzed, we did not identify any other expense transactions that may have personally benefited Laura Whitney Kaplan, the former Village Deputy Treasurer, during the period analyzed.

**Benford's Law Distribution Analysis**

We analyzed the vendor payments to identify suspicious patterns based upon Benford's law. We observed that the vendor payments followed Benford's law of distribution in that the smaller values of the first significant digits were utilized more frequently than the larger values. This pattern reflects normalized purchasing trends, and based on our analysis, no significant outliers were noted.



**Assessment of Internal Controls**

Based upon the representations made by the Village Office and the documents made available to us, we have made the following observations and recommendations aimed to improve the Village's internal control environment.

**Observation/Recommendation #1**

We analyzed the expense ledger report generated by KVS Enterprise and the supporting documentation made available for select expenses within utilities, phone, equipment repairs, auto, garage, boat, insurance, and plant repairs reported during the period of September 2020 through August 2021 and tested these transactions against our criteria. Based on the testing procedures performed, we observed that in addition to having proper controls in place for traditional accounts payable transactions, the Village Office has implemented a process whereby all claims processed through auto pay are supported by a voucher form and invoice to be reviewed by the Village Treasurer, Department Heads, or Board Trustees. The Village Office is in the process of removing auto pay for certain utility services.

- ***When the need arises to alter current internal control practices (i.e., pandemic) and new procedures are developed that may increase the risk of unauthorized payments becoming undetected, the Village Office should enhance its oversight controls over the accounts payable process to ensure that all claims for payment (online or physical) continue to be presented to Village Treasurer, Department Heads, or Board Trustees for review and payment approval.***

**Observation/Recommendation #2**

Controls in setting up and approving automatic online payments can be improved.

- ***In the event the Village Office continues to utilize the bank's online auto pay features, we recommend that the Village Office develop a form indicating the request and approval of a vendor and its account number to be processed electronically.***

**Observation/Recommendation #3**

We attempted to access and review the accounting system audit trail. It was represented to us that the current version of the KVS Enterprise application does not have the ability to generate such a report and that the Village Office is in the process of updating the application.

- ***The Village should work with the support group of KVS Enterprise to assess whether the upgraded application's capabilities can generate and implement audit trail controls.***

***Incorporated Village of Northport  
Agreed Upon Procedures Report Pertaining to the Village's Disbursements  
February 2022***

**Statement of Limiting Conditions**

The above procedures do not constitute an examination made in accordance with generally accepted auditing standards. This report relates only to the elements specified above and does not extend to any of the Incorporated Village of Northport's financial statements or income tax returns. This report is intended solely for the information and use of the Incorporated Village of Northport and is not intended to be and should not be used by anyone other than this specified party unless otherwise authorized.

The preceding analysis is based on the information made available by the Incorporated Village of Northport. We provide no assurance that we identified all personal expenses, and we have not included periods prior to or subsequent to our scope of September 2019 through August 2021. We reserve the right to revise our analysis based upon any future events and circumstances which may occur or become known to us.

Please contact our Hauppauge, New York office @ 631-756-9500 if you should have any questions in this regard.