

Material Weakness

Financial Records and Internal Control

We agree with the comment and have implemented several processes and controls to help ensure timely and accurate financial reporting and information. These measures include:

- The engagement of a third-party CPA firm to assist the Village with past due reporting requirements and audit preparation.
- The designation of a qualified Village Treasurer to administer day-to-day accounting responsibilities.
- Active oversight of those charged with governance, including regular department head meetings.
- Implementation of a new accounting system.

Segregation of Duties

During fiscal year under audit, we acknowledge there was limited segregation of duties as the previous Mayor was functioning as the Village Treasurer. The current administration has taken a number of steps to address segregation of duties including:

- Limiting access of QuickBooks (system of record for 2020).
- Segregation of the Mayoral function and finance function.
- Implementation of controls over expenditures, including department head reviews and board level reviews and approvals;
- Segregation of deposit activities from bank reconciliation activities.

Given the size of the Village, complete segregation of duties will always be an issue, but we believe with the higher-level controls, consisting of board involvement, and review of disbursement activities, combined with regular department head meetings, this risk can be mitigated to an acceptably low level.

Missing Supporting Documentation

We concur with this comment. The third-party CPA engaged to assist the Village reviewed auditor requests and after an exhaustive effort was unable to locate certain pieces of audit evidence. The Current administration continues to develop processes and controls to help ensure all transactions of the Village are adequately supported and approved. The Village believes that transactions processed during the current administration will be located and available for audit periods under their purview.

Physical Inventory of Capital Assets and Maintenance of Records

The Village acknowledges no physical inventory of capital assets occurred as of and for the period ending February 29, 2020. The Village notes that subsequent to year-end, the third-party CPA performed a reconciliation of capital outlays to capital asset additions to help ensure accuracy. In addition, the Superintendent of Public Works performed a review of assets included on the itemized listing to determine whether any disposals have occurred to his knowledge. Using these measures capital asset records were updated. Prospectively, the Village will consider incorporating a physical asset inventory into its processes and controls.

Compensated Absences

The Village acknowledges this comment and plans to rectify it for the 2021 reporting period.

Annual Budget

The Village concurs with this comment. For the fiscal year-ending February 29, 2020 the adopted budget was not integrated into the QuickBooks software. In addition, a number of transactions including revenues and expenditures were not posted to QuickBooks, and therefore we acknowledge that management at the time would have been able to measure budget vs. actual, in compliance with New York State laws and regulations.

Further compounding the issue was the considerable number of past due and unpaid invoices from previous reporting periods that were identified by the new administration. Accordingly, expenditure cut off and measurement against budget would not have been effective. Given the time that has transpired, in conjunction with the newly implemented accounting software, budget to actual monitoring was not effectively implemented until the reporting period beginning March 1, 2024.

Capital Project Deficit Fund Balance

We concur with this comment. As the current administration continues to unravel the Village's financial condition, it has become evident that the WWTP project was materially overbudget resulting in an unfunded deficit in the capital projects fund. This fund balance deficit was addressed as part of the deficit financing issued in October 2023.

In the event the Village plans new significant capital projects, internal controls including capital project length schedules will be maintained to help ensure budgets are adhered to and sufficient financing is in place.

Water and Sewer Billing Registers

We concur with this comment. Due to lack of investments in water meters, inaccurate reading transpired resulting in a number of adjustments. The current administration has taken a number of steps to address this issue including:

- Encourage the public to step forward with any perceived concerns about their meters, including potential billing issues.
- Proactive replacement of faulty meters.
- Board level involvement in the water/sewer billing process.
- Implementation of new accounting system that will be utilized for billing management purposes,

Significant Deficiencies

Formalized Policies and Procedures

The Village acknowledges this comment and is in varying stages of rectification. The Village has adopted a procurement policy that it believes to be compliant with New York State Laws and Regulations. The Village is reviewing other municipal policies to determine whether any can be leveraged and customized to meet its needs.

Cash Disbursements

The Village concurs with these comments, and notes that by the previous Mayor functioning as the Treasurer, secondary review and approval controls were not adhered to. In addition, disbursements were not consistently recorded within QuickBooks, including the proper general ledger account.

The Village has taken a number of steps to address these issues in conjunction. All expenditures are reviewed and approved by department heads, and subject to Treasurer review, prior to being reviewed by the Mayor and board members.

User Access

We concur there was no user access process and controls during the period under audit. As part of the new accounting software implementation in February 2024, the Village was required to review user access. Prospectively, the Village will review user access no less than annually and ensure that terminated employees are promptly removed from accessing the system.

Control Deficiencies

Capital Projects Fund

The Village concurs with this comment. The current administration believes that lack of internal controls and monitoring of its WWTP project is the primary contributor to its current financial condition. The Village will ensure that future capital projects are adequately tracked from a budget to actual perspective, with corresponding funding sources. Upon the completion of future capital projects, unspent fund balances will be transferred as a reserve to the requisite fund for future debt service, if applicable, or for other commensurate capital purposes.

Payroll Change Report

The Village acknowledges this comment and will work with its third-party payroll processor to determine whether a payroll change report can be readily produced. We concur that the review of this report would enhance the Village's existing internal control processes.

Vendor Analysis

The Village acknowledges this comment. With the implementation of the new accounting software, vendor files were transferred from QuickBooks. During this process, incomplete and duplicate vendors were removed. Using the new software system, the Village will determine whether a report detailing total monies spent by vendor can be produced and reviewed by the Board to help ensure only approved vendors are being paid and work is properly bid.

Noncompliance with Laws and Regulations

The Village concurs with this comment. The new administration is in the process of rectifying past due tax cap compliance filings and AUDs.

Other Matters

Cybersecurity Best Practices

The Village welcomes suggestions and recommendations that will help enhance its processes and internal controls. The Village will share these best practices with its third-party IT Service organization to determine what enhancements if any can be made to the Village's IT processes and controls.