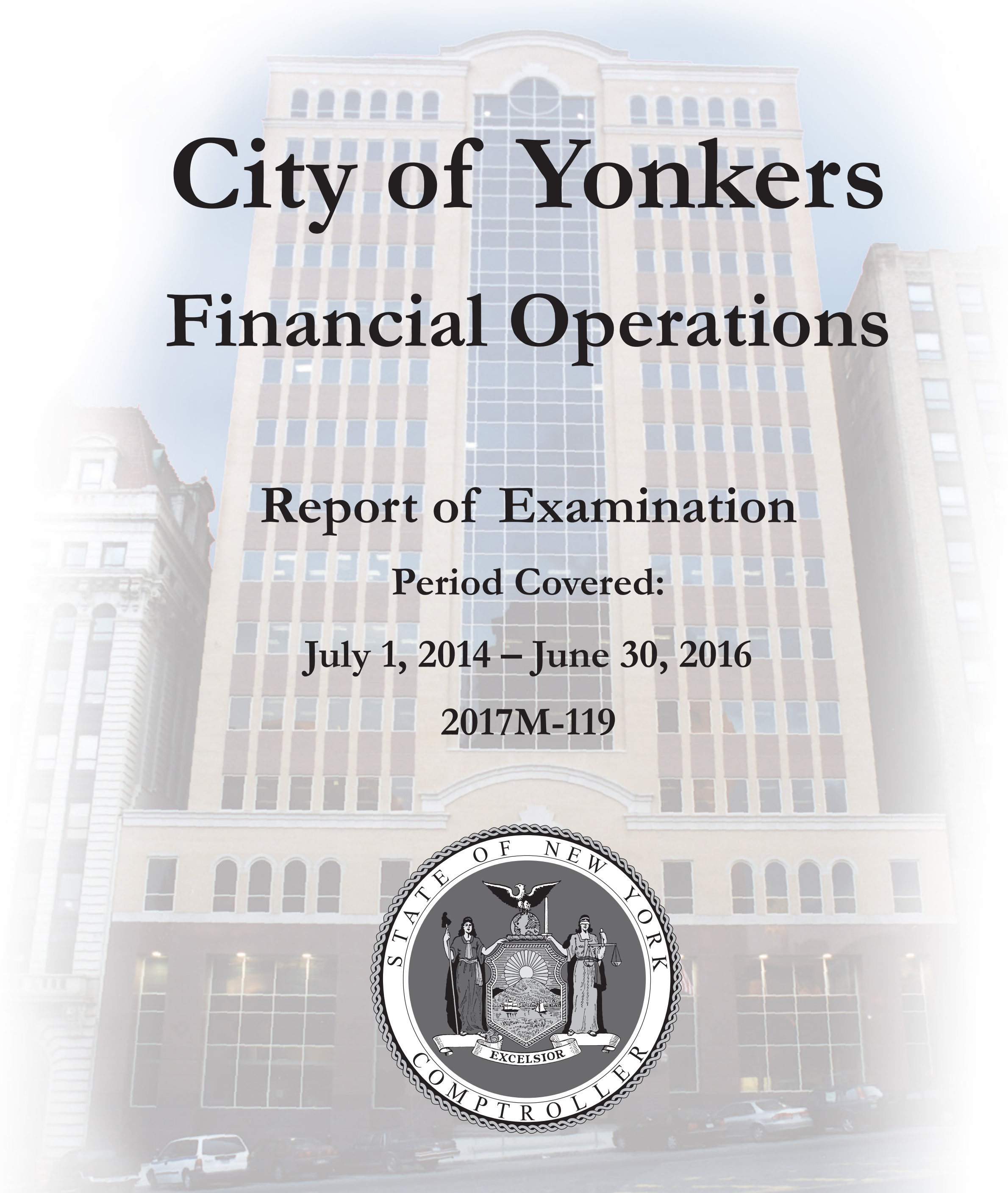
Division of Local Government & School Accountability

City of Yonkers

Financial Operations



Report of Examination

Period Covered:

July 1, 2014 – June 30, 2016

2017M-119

Thomas P. DiNapoli

Table of Contents

State of New York
Office of the State Comptroller

Division of Local Government
and School Accountability

April 2018

Dear City Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and City Council governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the City of Yonkers, entitled Financial Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

Office of the State Comptroller
Division of Local Government
and School Accountability

State of New York
Office of the State Comptroller
EXECUTIVE SUMMARY

The City of Yonkers (City) is located in Westchester County, and has approximately 200,000 residents. The seven-member City Council (Council) is the City's legislative branch, which consists of the President and six other elected members. The Mayor is the City's chief executive officer and along with other administrative staff, is responsible for the City's day-to-day administration. The City Commissioner of Finance (Commissioner) is the chief fiscal officer and is responsible for the oversight and accountability of the City's financial activities. The City Charter (Charter) and City Code (Code) govern City operations and outline the powers and duties of the Council, Mayor and Commissioner.

The City's 2017-18 budget (including Yonkers Public Schools) is approximately $1.2 billion, funded primarily by real property taxes, sales and income taxes and State aid. The 2017-18 capital budget is approximately $58.8 million funded primarily by bond proceeds.

The City employs approximately 3,000 full- and part-time employees, who are assigned to various departments that provide services including general government support, road maintenance, snow removal, public safety and water and sewer.

Scope and Objectives

The objectives of our audit were to review the City's financial condition and oversight of its financial operations for the period July 1, 2014 through June 30, 2016. We extended our scope back to July 1, 2011 to evaluate financial trends. We also extended our scope forward to July 1, 2016 to evaluate the City's constitutional tax limit for the 2017 fiscal year. Our audit addressed the following related questions:

- Did Council and City officials effectively monitor the City's financial condition and take appropriate measures to maintain the City's financial stability?
- Did City officials maintain complete and accurate accounting records?
- Did Council and City officials provide adequate oversight of the City's financial operations?

Audit Results

The Council and City officials have not effectively monitored the City's financial condition as we identified significant concerns. Specifically, City officials did not:

- Ensure that account balances were accurate, supported and complete; adhere to certain accounting principles; or adequately account for financial transactions which resulted in an inaccurate depiction of the City's financial activity. These issues included:
    - o Overstatement of general fund balance fiscal years 2014-15 and 2015-16.
    - o Multiple bank accounts with balances were not included in the accounting records.
    - o An improperly recorded significant journal entry.
    - o Failure to write-off uncollectible receivables and non-disclosure of receivables not expected to be collected.
    - o Exclusion from City records of reclassified journal entries prepared by the independent auditor to eliminate negative cash balances in the sewer and water funds for fiscal years 2014-15 and 2015-16, respectively.
    - o Inaccurate accruing of tax certiorari expenditures.
- Provide the Council with sufficient quarterly financial reports including a detailed budget-to-actual report or fund balance projections.
- Establish a fund balance policy or a long-term capital plan.
- Perform internal audits or conduct assessments of internal controls, as required by the Charter.

In summary, City officials need to improve their planning and monitoring of capital projects and the use of bond proceeds. Over the last five years, the City issued bonds totaling approximately $157.8 million for various capital projects and equipment. We analyzed the unexpended bond proceeds from fiscal years 2011-12 through 2015-16 and found that the City has repeatedly borrowed without first exhausting prior bond proceeds. Overall, the City has issued bonds totaling approximately $41.74 million for similar purposes, but only expended a total of $27.47 million.[1] As a result, the City borrowed an excess of approximately $14.27 million as of fiscal year-end 2015-16. The City also issued bonds totaling $42.2 million over the last five years to pay for tax certiorari claims, a recurring expenditure that should be included in budgeted appropriations. Because of inadequate capital planning and bonding for recurring expenditures, over the past five fiscal years, the City's annual debt service costs have increased by 18 percentage points and total indebtedness has increased by 10 percentage points.

The Council and City officials also need to improve their budgeting practices and management of fund balance. The Council has continued to appropriate fund balance in the City's budget without using it. For example, the 2015-16 adopted budget included a general fund appropriation of about $37.5 million. However, the City only used about $150,000 of that amount. This practice diminishes transparency in the budget process. We also found that City officials appropriated fund balance in the sewer fund in 2013-14 that was not available, which led to fund balance deficits of $409,000 in 2013-14 and $993,000 in 2014-15.[2] The City also relied on additional aid of $28 million in 2014-15

[1] This amount includes encumbrances as of June 30, 2016.

[2] The appropriation of fund balance contributed to the initial deficit in 2013-14. Then, an operating deficit of $584,000 in 2014-15 further increased the deficit.

and $14 million in 2015-16 to close budget gaps. The continued reliance on one-time revenues to fund recurring expenditures could lead to budget gaps in the future if alternate funding sources are not identified. In addition, with the 2016-17 tax levy, the City exhausted over 91 percent of its taxing authority. Therefore, its ability to increase property taxes may be limited in future years if property values do not increase.

We also found that City officials did not ensure accounting records were accurate, supported and complete and they did not consistently apply accounting principles or adequately account for financial transactions that affected the City's operations. We evaluated the general fund balance and found that for the fiscal year ending 2015-16, non-spendable fund balance was overstated by approximately $4 million. The $4 million includes an improperly recorded transfer of cash from the general fund to the community development fund with no expectation of repayment. In addition, several account balances that contained receivables which were no longer collectible and should have been written-off. For example, the community development fund in fiscal year ending 2015, included a loan receivable balance that had $2.7 million of uncollectible receivables. For fiscal year 2015-16, the general fund's accounts receivable balance included $69,000 that was from an entity that went into bankruptcy proceedings in fiscal year ending 2010-11 and the amount was determined to be uncollectible.

In 2014-15, City officials improperly recorded an adjusting journal entry in the amount of $800,000 in the general fund that erroneously increased the amount of cash and miscellaneous revenue in the accounting records. The $800,000 cash represents funds that were transferred in June 2012 from the City's operating cash account to the Board of Education vendor cash account. The funds are not due back to the City from the Board of Education.

Finally, City Council and officials have not provided adequate oversight of the City's financial operations. City officials did not perform internal audits or conduct assessments of internal controls as required by its Charter. The Council and City officials have not established a fund balance policy. Quarterly financial reports do not provide Council with the resources to react to financial problems in a timely manner. The City does not have a long-term capital plan and the City's multiyear financial plan does not address eliminating debt issuances for recurring expenditures. The failure of Council and City officials to properly monitor the City's financial condition and develop needed policies has contributed to the City's financial problems.

Comments of Local Officials

The results of our audit and recommendations have been discussed with City officials, and their comments, which appear in Appendix A, have been considered in preparing this report. City officials disagreed with certain aspects of our findings and recommendations in our report. Appendix B includes our comments on the issues raised in the City's response letter.

Introduction

Background

The City of Yonkers (City), is located in Westchester County, and has a population of 200,000. The seven-member City Council (Council) is the City's legislative branch, which consists of the President and six other elected members. The Mayor is the City's chief executive officer and along with other administrative staff, is responsible for the City's day-to-day administration. The City Commissioner of Finance (Commissioner) is the chief fiscal officer and is responsible for the oversight and accountability of the City's financial activities. As of July 1, 2014 the City was given responsibility for managing the Yonkers Public Schools' (YPS) finances. The City Charter (Charter) and City Code (Code) govern City operations and outline the powers and duties of the Council, Mayor and Commissioner.

The City's Office of Management and Budget (OMB) prepares, implements and monitors the City's and YPS' annual budgets and capital programs. The City's 2017-18 budget is approximately $1.2 billion (including YPS), funded primarily by real property taxes, sales and income taxes and State aid. The 2017-18 capital budget is approximately $58.8 million funded primarily by bond proceeds. The City employs approximately 3,000 full and part-time employees, who are assigned to various departments that provide services including general government support, road maintenance, snow removal, public safety and water and sewer.

The State of New York enacted the Fiscal Agent Act (Act) in 1976 as a result of the City's poor financial condition. The Act imposed certain requirements and restrictions with respect to the issuance of obligations and budgeting procedures. The Act established the Office of the State Comptroller (OSC) as the City's fiscal agent.

Objectives

The objectives of our audit were to review the City's financial condition and oversight of its financial operations. Our audit addressed the following related questions:

- Did Council and City officials effectively monitor the City's financial condition and take appropriate measures to maintain the City's financial stability?
- Did City officials maintain complete and accurate accounting records?
- Did Council and City officials provide adequate oversight of the City's financial operations?

Scope and Methodology

We examined the City's financial condition and financial operations for the period July 1, 2014 through June 30, 2016. We extended our scope back to July 1, 2011 to evaluate financial trends. We also extended our scope forward to July 1, 2016 to evaluate the City's constitutional tax limit for the 2017 fiscal year.

Except for the independence impairment discussed in the next paragraph, we conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

Pursuant to the Fiscal Agent Act, the Office of the State Comptroller (OSC) maintains City assets in a special debt service fund bank account, invests those funds on behalf of and at the City's direction, and makes payments on the City's behalf for any debt service payments due. We believe that independence concerns are mitigated as City officials oversee the required services performed by OSC under the Fiscal Agent Act and evaluate the results of the services performed. However, GAGAS explicitly states that these services impair an external auditor's independence with respect to an audited entity.[3]

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with City officials, and their comments, which appear in Appendix A, have been considered in preparing this report. City officials disagreed with certain aspects of our findings and recommendations in our report. Appendix B includes our comments on the issues raised in the City's response letter.

The Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Council to make this plan available for public review in the Clerk's office.

---

[3] *Government Auditing Standards*, 2011 Revision, paragraph 3.58

Financial Condition

Financial condition may be defined as the ability of a local government to balance recurring expenditures with recurring revenue sources, while providing services on a continuing basis. A municipality in good financial condition generally maintains adequate service levels during fiscal downturns, identifies and adjusts to long-term economic or demographic changes and develops resources to meet future needs. Conversely, a municipality in fiscal stress usually struggles to balance its budget, may suffer through disruptive service level declines, may have a difficult time adjusting to socioeconomic forces and has limited resources to finance future needs. Maintaining or restoring sound financial condition requires officials to adjust to long-term socioeconomic and demographic changes, respond to the economic impact of the business cycle and plan for the future.

The Council and City officials are responsible for the financial planning and management necessary to maintain the City's fiscal health. To maintain good fiscal health, the Council and officials must develop and adopt realistic and structurally balanced budgets, manage fund balance and cash balance levels, monitor financial activity and develop comprehensive multiyear financial and capital plans. To effectively monitor the City's financial condition and operations, the Council and City officials need complete, accurate and timely financial information.

The Council and City officials did not effectively and adequately monitor the City's financial condition in numerous areas and take appropriate measures to maintain the City's financial stability. City officials did not adequately plan for capital projects or the use of debt. As a result, the City issued over $14 million in bonds in excess of what was needed for the period July 1, 2011 to June 30, 2016. Bonding excessively and issuing debt to finance recurring expenditures has contributed to $51.37 million increase in total indebtedness from fiscal year-end 2011-12 to 2015-16.

The Council and City officials have continued to appropriate fund balance in the City's budget without using it. This diminishes transparency in the budget process. Conversely, the City appropriated fund balance in the sewer fund in 2013-14 that was not available, which led to fund balance deficits in fiscal years 2013-14 and 2014-15. Also, the reliance on one-time revenues such as State aid, to fund recurring expenditures could lead to budget gaps in the future if alternate funding sources are not identified. City officials also did not make budget modifications when necessary. Finally, with the 2016-17 tax levy, the City exhausted over 91 percent of its taxing authority.

Use of Bond Proceeds and Debt

Issuing debt allows local governments to provide vital capital infrastructure and equipment that they might not otherwise be able to afford through annual budget appropriations. However, if governments use debt proceeds for general operations, the long-term interest costs will impact current and future operating budgets by limiting financial flexibility and the ability to finance essential operations. The debt used to finance the purchase of assets should not have a payback period longer than the useful lives of the assets purchased. Instead, current appropriations should be used to finance assets with shorter useful lives.[4]

Bond Proceeds – According to City officials, quarterly capital project status reports are provided to department heads which show the remaining bond proceeds available for each capital project. In addition, City officials explained that a review of unexpended bond proceeds is conducted prior to issuing new bonds. The Commissioner told us that the City's goal is to use the bond proceeds within the fiscal year for which it is bonded. The use of proceeds may be delayed due to the competitive bidding process.

Over the last five years, the City issued bonds totaling about $157.8 million for various capital projects and equipment. We analyzed the unexpended bond proceeds from fiscal years 2011-12 through 2015-16 and found that in 16 separate instances, new bonds were issued before prior bond proceeds were used. Overall, the City has issued bonds totaling approximately $41.74 million for similar purposes, but expended a total of $27.47 million over the five-year period.[5] As a result, the City borrowed an excess of approximately $14.27 million as of fiscal year-end 2015-16.[6]

For example, the City bonded $3.7 million for streetscape improvements over the five-year period and had over $1.6 million in proceeds remaining as of fiscal year-end 2015-16. In fiscal year 2014-

[4] New York State Local Finance Law sets forth the "periods of probable usefulness (PPUs)" of the various objects or purposes for which bonds may be issued. These PPUs, which may or may not coincide with the actual expected useful life of a capital asset, are the maximum periods over which a capital asset (or other object or purpose) may be financed by the issuance of bonds.

[5] This amount includes encumbrances as of June 30, 2016.

[6] The City bonded in excess for the following purposes: streetscape improvements, river outflow remediation, sidewalk repair, acquisition of public works equipment, acquisition of library materials, exterior panel replacement, park improvements, acquisition of police equipment, traffic signal replacement, marina reconstruction, acquisition of firefighting vehicles, wall reconstruction, reconstruction of City buildings, hydrant replacement, water system improvements and oil tank remediation.

15, the City bonded approximately $2 million and had $593,806 remaining as of fiscal year-end 2015-16. Despite having proceeds remaining from the 2014-15 bond, the City bonded an additional $1 million for streetscape improvements in fiscal year 2015-16 without using any proceeds in that year.

Figure 1: Streetscape Improvements

		Excess Remaining at Fiscal Year-End			
Fiscal Year	**Amount Bonded**	**2013**	**2014**	**2015**	**2016**
2012-13	$500,000	$500,000	$7,255	$7,255	$7,255
2013-14	$150,000		$55,697	$26,433	$26,433
2014-15	$2,050,000			$1,892,722	$593,806
2015-16	$1,000,000				$1,000,000
Total	**$3,700,000**	**$500,000**	**$62,952**	**$1,926,410**	**$1,627,494**

The City also bonded $7.1 million for river outflow remediation over the five-year period and had $1.1 million in proceeds remaining as of fiscal year-end 2015-16. In fiscal year 2014-15, the City bonded $1.2 million and $250,001 was unused as of fiscal year-end 2015-16. In addition to the proceeds remaining from the 2014-15 bond and prior bonds, the City bonded an additional $3 million for river outflow remediation in fiscal year 2015-16 but did not use all of those proceeds in that year or the remaining proceeds from prior years.

Figure 2: River Outflow Remediation

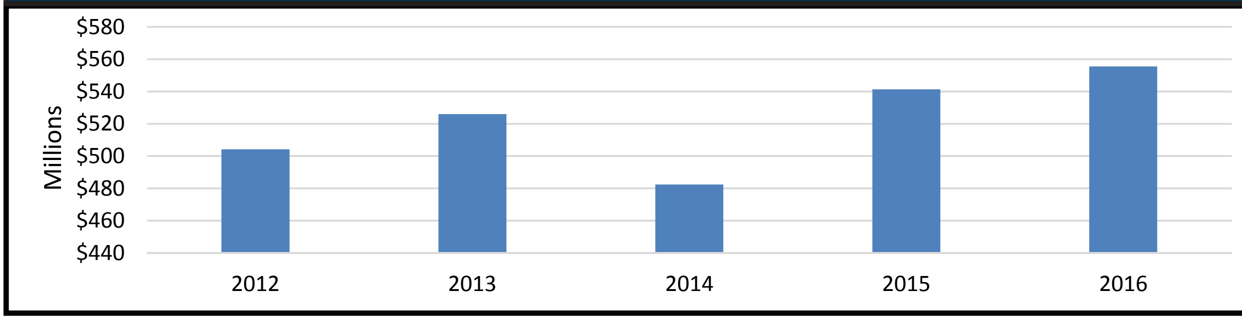
		Excess Remaining at Fiscal Year-End			
Fiscal Year	**Amount Bonded**	**2013**	**2014**	**2015**	**2016**
2012-13	$1,700,000	$1,505,340	$322,925	$127,360	$86,337
2013-14	$1,200,000		$763,336	$40,813	$30,971
2014-15	$1,200,000			$851,830	$250,001
2015-16	$3,000,000				$776,765
Total	**$7,100,000**	**$1,505,340**	**$1,086,261**	**$1,020,003**	**$1,144,073**

The City bonded $2.7 million for curb, step and sidewalk repair over the five-year period and had approximately $1 million in proceeds remaining as of fiscal year-end 2015-16. Similarly, the City bonded approximately $1.3 million for the acquisition of public works equipment over the five-year period and had $730,703 in proceeds remaining as of fiscal year-end 2015-16.

According to the Commissioner, officials intentionally use general descriptions in the bond statements (i.e., acquisition of equipment) so the City can use the proceeds for various purposes and emergencies. It is imprudent to use bond proceeds for emergency expenditures. The City issued bonds for similar purposes without first using available prior bond proceeds. As a result, along with the bond issuance costs, the City incurred additional interest costs for the five-year period which may range from $1.1 to $2 million.

Debt – We reviewed the City's annual debt service obligation and total indebtedness[7] over the last five fiscal years. The City's overall outstanding debt grew from $504.2 million in 2012 to $555.6 million in 2016, an increase of over 10 percentage points.[8]

Figure 3: Indebtedness at Year-End



A contributing factor to the City's increase in debt is the continued use of bonding for recurring expenditures, instead of budgeting for and using current appropriations to finance assets with shorter useful lives.[9] For example, for the 2015-16 fiscal year, the City issued $400,000 in bonds that were payable over a 15-year period to purchase library supplies such as magazines, video games and books with PPUs that are much less than 15 years. Over the five-year period starting in 2011-12, the City bonded $1.89 million for the acquisition of library materials. The City also bonds annually to pay for tax certiorari claims, which is a recurring expenditure that should be included in budgeted appropriations. When there is an increased reliance on debt proceeds for normal operational spending, it may be a sign of structural budgeting problems.

Over the last five completed fiscal years, the City issued three serial bonds and a bond anticipation note (BAN) to fund approximately

[7] Our five-year analysis includes the debt for both the City and Yonkers Public Schools (YPS). The bonds issued for YPS are the City's general obligations.

[8] The City and YPS debt amount decreased from 2013 to 2014 because debt was retired during the 2014 fiscal year and no additional debt issued. The debt increased from 2014 to 2015 because a significant amount of debt was issued in 2015 for both the City and YPS. In 2015 more debt was issued than paid.

[9] As set forth in NYS Local Finance Law

$42.2 million of tax certiorari payments. According to City officials, the amount of bonds issued for tax certiorari payments is based on the estimated amount of tentatively[10] settled tax certiorari claims.

We reviewed the tax certiorari estimates provided by City officials and found two of the four bonds/BANs issued, which included tax certiorari funding, were not properly supported by a list of tentative tax certiorari settlements. The support provided for the BAN issued in 2012-13 was not adequate because the list of estimated claims totaled $6.6 million but the City borrowed $7.1 million, or approximately $500,000 more than the estimate. City officials also did not provide an estimated amount of tax certiorari settlements for the bond issued in 2011-12, which included funding of $20 million[11] for tax certiorari payments.

Furthermore, the City does not maintain a list of total outstanding tax certiorari claims. City officials stated that a list is not maintained because it does not represent an accurate amount of the City's liability. Without a complete and accurate list of outstanding claims, the City cannot estimate its total tax certiorari exposure.

Because of increased debt, the City's annual debt payment[12] increased from $65 million in 2012 to over $77 million in 2016, an increase of approximately 18 percentage points. As a result, the funding requirements for the City's annual debt service obligation, under provisions of the City Bond Ordinances and the Act, have increased from approximately 22.1 percent in 2011-12 to 23.6 percent in 2015-16 of the City's real property tax levy. The City will continue to incur additional debt and interest costs by bonding for recurring expenditures instead of financing them in its operating budget. It is important to note that the City exhausted over 91 percent of its taxing authority with its 2017 tax levy. Therefore, the City's ability to increase property taxes to pay for debt service may be limited in future years if property values do not increase.

---

[10] According to the Corporation Counsel and Deputy Commissioner of Finance, the City accumulates a significant number of settlements before issuing bonds for tax certiorari claims. The Corporation Counsel provides the Finance Department with a list of tentative settlements to estimate the bonding amount. Tentative settlements are cases where an amount has been tentatively agreed upon in court, but not yet finalized.

[11] The 2011A serial bond issued in the 2011-12 fiscal year included funding of $35.6 million for tax certiorari payments. However, the official statement stated that $15.6 million was to be used to redeem a BAN. Therefore, approximately $20 million was available for tax certiorari payments.

[12] The City's annual debt service obligation represents the budgeted debt service requirement for a given fiscal year. This includes the annual debt service obligation for YPS.

Capital Planning

City officials are responsible for capital planning and monitoring the use of bond proceeds issued for capital or operating purposes. The Code prescribes various guidelines on the capital planning and monitoring process such as, the development and submission of multiyear capital plans with detailed estimates and the development of work programs for the maintenance and purchase of equipment.

The City's Code requires that by February 1 of each year, all fiscally dependent entities must submit to the Mayor, Commissioner and Capital Projects Committee detailed estimates of any capital projects that may be undertaken in the next five fiscal years. In addition, the Code requires that before the beginning of each fiscal year, department heads must submit a work program to the Mayor for the year. The program shall include all appropriations for the program's operation and maintenance and purchase of equipment and show the requested allotments of appropriations for such department or officer, by quarterly periods, for the entire fiscal year.

Each fiscal year the City's capital budget is prepared by department heads and the budget department, reviewed by the Capital Projects Committee and approved by the Council. Capital projects and equipment may be financed by issuing serial bonds and BANs.

We reviewed 10 of the 139 capital project estimates submitted by various departments for the 2015-16 capital budget. Eight of these estimates, representing $8.7 million of the City's $87.7 million total capital budget, were not adequate because they were not completed in accordance with City Code. For example:

- The City's adopted capital budget included $1.6 million for building rehabilitation. However, City officials did not have any support for the estimate, details of how the buildings that would be rehabilitated or how the work was going to be performed (City employees, contractors, etc.).

- The capital budget included $1 million for curbs, steps and sidewalk repair. The estimate was not adequate because it was not detailed, as required by City Code. It did not indicate the curbs, steps and sidewalks that would be repaired, how the work would be completed (City employees, contractor, etc.) or how the estimate was determined.

The Council and City officials did not follow the guidelines prescribed in the Code when planning for capital projects or purchases of capital equipment. Without adequate planning the Council and City officials cannot make reasonable estimates on the cost of a project or equipment and how much debt to issue.

Budgeting Practices

A structurally balanced budget is one in which appropriations are funded with recurring revenues and fund balance serves as a financial cushion for unexpected events and for maintaining cash flow. To maintain the City's fiscal stability, it is important for City officials to adopt realistic budgets that are structurally balanced, identify and adjust to long-term changes, anticipate future problems and plan for services and capital needs beyond the current year. City officials must also ensure that the level of fund balance maintained is sufficient to provide adequate cash flow and hedge against unanticipated expenditures and revenue shortfalls.

According to the Budget Director, appropriated fund balance is not always used because the City receives significant, unplanned one-time revenues. For example, in 2015-16 the City sold two properties that resulted in $14.25 million in additional revenues for the general fund. In addition, the City has not established a fund balance policy or procedures for appropriating fund balance. The City uses the fund balance appropriation to close budget gaps. The lack of guidance on using fund balance contributed to the unused appropriated fund balance. The practice of appropriating fund balance that will not be used to finance operations diminishes budget process transparency.

<u>Fund Balance Appropriation</u> – The appropriation of fund balance is the use of unexpended resources from prior years to finance current budget appropriations and is considered a nonrecurring financing source. Although fund balance can be appropriated in the budget to help finance operations, consistently doing so, instead of planning to use recurring revenue sources, will eventually deplete fund balance to levels that are not sufficient for contingencies and cash flow, resulting in fiscal stress.

For fiscal years 2011-12 through 2015-16 City officials planned for operating deficits and appropriated fund balance in various funds to balance the budget. The actual results of operations[13] for the general, water and library funds showed that the City did not always use appropriated fund balance. We also found that City officials used more sewer fund balance than was actually available, resulting in fund balance deficits at year-ends 2013-14 and 2014-15.

- <u>General Fund</u> – City officials planned for general fund operating deficits in each of the last five completed fiscal years. The Council and City officials appropriated fund balance ranging from $3.2 million in 2012 to $37.5 million in 2016. However, appropriated fund balance was not used in any year except in 2015-16 when $149,964 of the $37.5 million

[13] As reported on the City's financial statements

appropriated was used. If City officials used appropriated fund balance to cover expenditures instead of bonding for tax certiorari payments and emergencies, they may have been able to reduce the City's overall debt and avoid interest costs. Also, the practice of appropriating fund balance that is not really needed to finance operations diminishes budget process transparency.

Figure 4: General Fund - Results of Operations

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues	$636,936,258	$663,050,907	$668,574,194	$713,353,886	$737,882,697
Expenditures	$626,848,862	$642,987,494	$649,378,096	$706,090,237	$738,032,661
Operating Surplus (Deficit)	**$10,087,396**	**$20,063,413**	**$19,196,098**	**$7,263,649**	**($149,964)**
Appropriated Fund Balance	$3,200,000	$8,861,231	$17,000,000	$30,979,830	$37,494,895
Unused Fund Balance	$3,200,000	$8,861,231	$17,000,000	$30,979,830	$37,344,931
Percent of Unused Fund Balance	100%	100%	100%	100%	99.6%

Water Fund – City officials planned for operating deficits in the water fund for the fiscal years 2013-14, 2014-15 and 2015-16. The Council and City officials appropriated fund balance ranging from $639,891 to $3.26 million. However, the appropriated fund balance was not always used. In 2013-14, the City appropriated $925,798, but the operating deficit was only $1,962. A larger operating deficit than planned was realized in 2014-15. In 2015-16, the Council and City officials appropriated $3.26 million in fund balance and had an operating surplus of $1.9 million. Therefore, the water fund did not use any of the $3.26 million of fund balance appropriated in 2015-16. The repeated appropriation of fund balance that is not actually needed reduces budget transparency and may result in unnecessary increases in water rates.

Library Fund – City officials planned operating deficits in the library fund for fiscal years 2011-12 and 2015-16. The fund did not use any of the $134,293 fund balance appropriated in 2011-12 because it had a surplus of $112,775. In 2015-16, the City used $15,681 of the $580,330 of appropriated fund balance because the operating deficit was much less than planned.

Sewer Fund Deficit – From fiscal years 2011-12 through 2014-15 the sewer fund total fund balance[14] declined from approximately $1 million to a deficit of $993,000. The deficit was eliminated in 2015-16

[14] As reported on the City's financial statements

when fund balance increased to $760,583. The 2013-14 and 2014-15 fund balance deficits in the sewer fund were a result of City officials appropriating more fund balance than was actually available and an unplanned operating deficit in 2015. In 2013-14, the City appropriated $850,837 in fund balance, but fund balance at fiscal year-end 2012-13 was $664,120. Having an unassigned fund deficit restricts City official's ability to react to external influences such as economic downturns and emergencies.

Figure 5: Sewer Fund - Results of Operations

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues	$4,919,333	$5,328,957	$4,921,232	$6,055,220	$8,847,065
Expenditure	$1,303,004	$1,720,476	$2,002,108	$2,471,981	$2,850,704
Operating Surplus (Deficit)	$3,616,329	$3,608,481	$2,919,124	$3,583,239	$5,996,361
Transfers to Debt Service Fund	($3,554,197)	($3,946,748)	($3,992,359)	($4,167,594)	($4,242,308)
Net Change in Fund Balance	$62,132	($338,267)	($1,073,235)	($584,355)	$1,754,053
Fund Balance Beginning	$940,255	$1,002,387	$664,120	($409,115)	($993,470)
Ending Fund Balance	$1,002,387	$664,120	($409,115)	($993,470)	$760,583
Appropriated Fund Balance	$237,354	$0	$850,837	$0	($409,115)

<u>One-Time Revenues</u> – Using non-recurring, one-time revenues to support recurring expenditures has allowed City officials to balance the budget. However, this strategy is a short-term solution and only temporarily defers the need to address structural budget imbalances. Therefore, it is important to prepare the budget using realistic revenue and expenditure estimates based on the most current and accurate information available and not to rely on one-time revenues to support recurring expenditures. It is best to use one-time revenues for purposes such as debt reduction, capital planning and special projects.

We reviewed adopted budgets and found that the City relied on one-time revenues to support recurring operating expenditures in both 2014-15 and 2015-16. City officials relied on additional aid of $28 million in 2014-15 and $14 million in 2015-16 in order to close budget gaps. A large portion of the one-time revenues were used to fund YPS. The use of one-time revenues to finance recurring expenditures exposes the City to potential future funding gaps. If the City does not find recurring revenue sources, the City's financial condition could be negatively impacted when this financial resource is no longer available.

Water Fund Transfer – Interfund transfers represent contributions of resources from one fund to another, generally for expenditures in the receiving fund. These transfers, although included in estimated revenues, are considered a financing source. Transfers should be based on management's decisions, within applicable legal authority and easily quantified for budgetary purposes. When budgeting for these revenues, taxpayer equity and fairness should be maintained.

The adopted budgets for 2011-12 through 2015-16 include the water fund's budgeted transfers to the general fund ranging from $2.5 million in 2011-12 to $11.4 million in 2015-16.

Figure 6: Water Fund Transfers to the General Fund

Fiscal Year	Adopted Budget Amount
2011-12	$2,527,470
2012-13	$7,895,324
2013-14	$8,650,732
2014-15	$11,415,949
2015-16	$11,415,949

According to budget department personnel, the transfers are for the amount of salaries and overhead that is budgeted in the general fund for water fund operations. For example, the transfer may cover part of the salary for a finance employee who spends some of their time doing accounting for the water fund. City officials did not have an estimate or supporting documentation showing how the transfer amount was determined in fiscal years 2011-12 through 2015-16.

According to the Commissioner, the transfer from the water to general fund has been made for at least the 30 years. However, without a calculated estimate to support the transfer amount, City officials cannot be certain that the amount transferred is responsible and sufficient to cover the expenditures associated with water fund operations. Without such documentation, there is an increased risk that the water fund transfers may be subsidizing the general fund's budget gaps or may be for operations that are not associated with the water fund.

Budget Monitoring – Prudent fiscal management requires the Council and officials to continually monitor financial operations and amend the budget, when necessary, to ensure that appropriations are not overspent. According to City Charter, no expenditure shall be made in excess of the amount appropriated for that general classification.

We reviewed the budget-to-actual report for the 2015-16 fiscal year and found that budget modifications are not always made on a timely basis. We found that 26 expenditure lines were overexpended in the general fund by a total of $14.35 million. Significant overexpended budget accounts included tax certiorari payments by $6.6 million, reserve for uncollected taxes by $4.76 million, fire 207A supplemental pension by $695,000 and Social Security by $561,000. In addition, 2015-16 fiscal year budget transfers were made after fiscal year-end and as late as October 2016.

According to City officials, many budget transfers are made at year-end and throughout the summer. Budget department personnel also have the ability to override budget accounts established in the financial system if necessary. Overexpended budget lines could result in unplanned operating deficits which could negatively impact the City's financial condition.

Constitutional Tax Limit – The constitutional tax limit is the maximum amount of real property taxes that may be levied in any fiscal year. The State Constitution limits the taxing power of cities to 2 percent of the five-year average full valuation of taxable real property. With the 2016-17 tax levy, the City exhausted over 91 percent of its taxing authority. The City's ability to increase property taxes may be limited in future years if property values do not increase.

Recommendations

City officials should:

1. Review unused debt proceeds prior to issuing new bonds and limit borrowing to only those amounts actually needed.

2. Identify alternatives to borrowing funds for recurring expenditures, such as library books and tax certiorari payments.

3. Develop estimates for tax certiorari claim settlements to support each bond issuance when funds are borrowed for tax certiorari payments.

4. Maintain a list of outstanding tax certiorari claims in order to track the City's potential overall exposure.

5. Develop detailed capital estimates in accordance with City Code and use the estimates as the basis for issuing bonds.

6. Prepare and review year-end fund balance projections during the budget preparation process.

7. Perform a detailed analysis to ensure that water fund transfers to the general fund are to reimburse operating expenditures that are related to water operations.

8. Monitor the budget during the course of the year and make any needed budgetary amendments in a timely manner.

The Council should:

9. Develop and adopt budgets that appropriate fund balance in amounts that are available and necessary.

10. Develop a plan to identify recurring revenue sources to avoid the of use one-time revenues to balance the budget.

11. Develop a plan to address the near exhaustion of the constitutional tax limit.

Accounting Records

Complete and accurate accounting records maintained on a timely basis provide the Council with the essential information that it needs to effectively manage and properly monitor the City's financial condition, as well as safeguard cash. The information in these accounting records provides the basis for the Council and City officials to monitor and manage the City's financial resources and develop its budgets, and for the Finance Department to prepare periodic reports. When financial records are incomplete and inaccurate, accountability and effective management of financial resources is significantly weakened and any financial decisions made based on such records could be flawed. Inadequate accounting records make it difficult for the Council and City officials to evaluate the City's financial activities and can obscure the City's true financial condition.

We identified significant problems with account balances resulting in an inaccurate depiction of the City's financial activity. The Finance Department did not ensure account balances were accurate, supported and complete and did not adhere to certain accounting principles or adequately account for financial transactions that affected the City's operations. As a result, the Council and City officials do not have the necessary information to properly assess the City's financial condition.

General Fund Balance

Fund balance is the difference between revenues and expenditures accumulated over time and is made up of various components which include non-spendable, restricted, committed, assigned and unassigned. The non-spendable component is fund balance that is not in spendable form or legally or contractually required to be maintained intact. Assigned fund balance is amounts that are constrained by the government's intent to be used for specific purposes, such as commitments related to unperformed contracts and appropriated fund balance for the subsequent year's budget.

The City, in certain circumstances, can temporarily advance moneys from one fund to another to address budget shortfalls when available cash is not sufficient to pay current obligations. The advance must be authorized by the Council. Suitable records must be maintained, and the advance must be repaid no later than the fiscal year-end in which the advance was made. Interfund loans are amounts provided with a requirement for repayment and should be reported as interfund receivables in lender funds and interfund payables in borrower funds. If repayment is not expected within a reasonable time, the loan balances should be reduced and the amount that is not expected to be repaid should be reported as an interfund advance or transfer from the fund that made the loan to the fund that received the loan.

We evaluated the City's general fund balance to determine if it was supported and properly classified. We found that various components were not supported and fund balance was overstated by $400,600 in fiscal year 2014-15 and $4.4 million 2015-16, as follows:

- The non-spendable component of fund balance was overstated by approximately $4 million in loans receivable for fiscal year-end 2015-16. In August 2015, City officials made a $4 million transfer from the City's general fund to the community development fund without Council approval. City officials recorded this transaction as an interfund loan. However, officials indicated that there was no expectation of repayment. According to the City's corporation counsel, in the 2014-15 fiscal year the City sold a property for approximately $7.1 million that was acquired through a settlement in lieu of foreclosure. City officials decided to set aside $4 million of the proceeds to repay the United States Department of Housing and Development for various Section 108 loans that businesses had defaulted on and the City was still liable for, including the property that the City acquired and sold in 2014-15. As a result, in August 2015, the City transferred $4 million to the community development fund to cover these payments. City officials were unable to provide supporting documentation for the Council's approval of the transfer. According to the City's independent auditor, the $4 million transfer was made without Council approval. The auditor stated that its recommendation to City officials was to include the transfer as part of the 2017-18 budget in order to receive Council approval. Because the interfund loan was not expected to be repaid, the $4 million should have been reclassified as an interfund transfer and removed from the City's general fund balance in 2015-16.

- The non-spendable component of fund balance was also overstated by $10,600 in notes receivable for fiscal years 2014-15 and 2015-16. According to the City's independent auditor, the $10,600 notes receivable has been on the books since at least 1987. City officials could not provide documentation to support the notes receivable.

- The reserve for encumbrances in the assigned component of fund balance was overstated by $390,000 in fiscal year 2014-15 and $404,000 in fiscal year 2015-16. We compared the City's total outstanding purchase orders at year-end for both fiscal years to the amounts reported on the City's financial statements. In 2014-15, $1.3 million of the $1.7 million reported for reserve for encumbrances was supported by open purchase orders. In 2015-16, $974,000 of the $1.4 million reported was supported by open purchase orders. City officials provided emails from City Council requesting the rollover of unexpended funds for the department budgets of the City Council President, City Council, City Clerk and Elections. The unexpended funds are reported in the City's general fund balance but they are not supported by outstanding purchase orders. According to City officials, the rollover of funds is a past practice that has been allowed by Council. However, City officials did not have supporting documentation indicating that this practice was allowed.

By not recording the $4 million transfer properly or obtaining proper authorization in August 2015, the Council may not have been aware of the City's true general fund balance, which was overstated. City officials are seeking proper authorization almost two years after the transaction occurred, which is misleading to the Council and reduces transparency to residents. In addition, the other unsupported fund balance components result in an inaccurate representation of the City's financial condition.

Receivables

Periodic reconciliations of the accounts receivable control accounts in the general ledger to subsidiary accounts and source documents is a good internal control practice. Significant receivable balances not expected to be collected within one year of the date of the financial statements should be disclosed.

We reviewed a sample of five balance sheet accounts for the 2014-15 and 2015-16 fiscal years to determine if the balances were supported and properly reflected in the City's accounting records and financial statements. We identified $182,000 in receivables that were no longer collectible and should have been written-off. In addition, $2.7 million remained on the books for several years before being written off. By including these uncollectible receivables in the records, City officials did not have an accurate picture of the City's financial position.

- For fiscal year-end 2014-15, the City's community development fund accounting records and financial statements included a Section 108 loan receivable balance of $7.3 million, which contained $2.7 million of uncollectible loans that defaulted in 2008. The City's independent auditors created an allowance account in the 2014-15 financial statements to cover the uncollectible receivables. However, City officials did not write off the loans until 2015-16.

- For fiscal year-end 2015-16, the City's general fund accounting records and financial statements contain uncollectible receivables totaling $182,230. We found that $113,547 was a receivable carried over from the prior accounting system for which there was no support. In addition, $68,683 of the receivable balance is related to an entity that went into bankruptcy proceedings in 2010-11. According to City officials, the receivables are not collectible and should be written-off.

We also found that the following balance sheet accounts contained $5.3 million of receivables that have remained in the City's accounting records for many years.

- For fiscal year ending 2015-16, the City's general fund accounting records and financial statements contain $3.6 million in tax liens that are from 2010 and earlier.

- For fiscal years ending 2014-15 and 2015-16, the City's general fund accounting records and financial statements contain approximately $1 million for a receivable that was accrued as early as the 2013-14 fiscal year. The receivable represents Qualified School Construction Bonds (QSCB)[15] interest income that was withheld by the federal government as an offset for payroll taxes due from an erroneous payroll tax filing. City officials believe that the receivable will be collected, but do not have an expected time period for when the collection will occur.

- For fiscal year-end 2014-15, the City's general fund accounting records and financial statements contained $487,000 of taxes receivable from years 1980 to 1989. For fiscal year- end 2015-16, the City's accounting records and financial statements contained $228,000 of taxes receivable related to taxes from 2000. According to City officials, the receivables have not been written off because the City expects to collect back taxes when the properties are sold.

Based on the age of these receivables, City officials cannot reasonably expect collection within one year of the date of the 2014-15 and 2015-16 financial statements. Therefore, the receivable balances should be disclosed in the notes to the financial statements.

According to the Director of Accounting, the Finance Department reconciles the taxes receivable on a monthly basis. We reviewed the

---

[15] One of several types of tax credit bonds that may be issued to construct, rehabilitate or repair a public school.

City's October 2015 taxes receivable reconciliation[16] and found that it was not properly supported or prepared. The reconciliation was not proper because adjustments for timing differences were not supported.

The City's financial application does not have an accounts receivable module. Therefore, it does not properly reconcile receivables. In addition, billing is decentralized. As a result, the City's accounting records contain aged and uncollectible receivables. When these amounts are included in reports to Council and City officials, it gives them inaccurate information about the City's financial position.

Financial Reporting

Financial statements play a major role in fulfilling the government official's duty to be accountable to the public. Therefore, the information in the accounting records should be accurately reflected in the financial statements. To adequately evaluate financial condition, it is essential that complete and accurate accounting records are maintained to properly account for and report the City's financial condition and activities.

General Municipal Law (GML) allows the temporary advance of moneys from one fund to another to address budget shortfalls when available cash is not sufficient to pay current obligations. The advance must be authorized by Council in the same manner as prescribed by law for making budgetary transfers between appropriations.

Reclassifying journal entries are made to move an amount from one general ledger account to another. When preparing the City's financial statements, the City's independent auditor made 35 reclassifying journal entries for 2014-15 and 21 for 2015-16. We reviewed a sample of five reclassifying journal entries for each fiscal year to determine if they were recorded, supported and proper. Three of the five reclassifying journal entries reviewed for fiscal year-ended 2014-15 were not recorded in the City's accounting records. For fiscal year ending 2015-16, none of the five reclassifying journal entries were recorded.

The City uses a cash concentration account for depositing and disbursing most of its cash. Although cash is in one bank account, it is accounted for in multiple funds in the accounting records. At year-end the City's accounting records show that various funds in this cash account have negative balances. However, the City's financial statements do not identify any negative cash balances. The City's auditors make reclassifying journal entries to cover negative cash balances in other funds.

---

[16] Tax collection activity is high in this month.

For example, for fiscal year-end 2014-15, the independent auditor made a journal entry to reclassify a sewer fund negative $7.6 million cash balance to a liability due to the general fund, creating an interfund advance not approved by Council. Similarly, for fiscal year-end 2015-16 the auditors made a journal entry to reclassify a water fund negative $6 million cash balance to a liability due to the general fund, creating an interfund advance not approved by Council. In both instances, the City did not record the entries in its accounting records. The City's accounting records showed negative cash balances in both funds while the financial statements showed cash balances of $0, which is proper for a cash concentration account. According to the Director of Accounting, the City does not record the auditor's reclassifying journal entries because they will have to be reversed at the beginning of the next fiscal year.

By not recording the reclassifying journal entries prepared by the independent auditor, the City's accounting records are not complete and do not reflect the financial information being reported on its financial statements. Inadequate accounting records make it difficult for the Council and City officials to evaluate the City's financial activities and can obscure the City's true financial condition. In addition, the Council and City officials cannot determine if interfund advances are repaid.

Improper Journal Entry

Adjusting journal entries are usually made at the end of an accounting period so the accounting records and financial statements accurately reflect the revenues earned and the expenditures incurred during the accounting period. Bank reconciliations should be prepared monthly, or more frequently, to identify any difference between the general ledger cash accounts and net bank balances.

During the City's annual audit, its independent auditor prepares adjusting journal entries and provides them to City officials to record in the accounting records. The City's auditor prepared 37 adjusting journal entries in 2014-15 and 42 in 2015-16. We reviewed a sample of five adjusting journal entries for each fiscal year to determine if they were proper. In 2014-15, City officials recorded an improper adjusting journal entry, prepared by the auditor, which increased cash and miscellaneous revenue by $800,000 in the City's general fund. We reviewed the City's bank reconciliations and bank statements and found that the $800,000 cash represented funds that were transferred from the City's operating account to the Board of Education vendor account in June 2012. According to the Director of Accounting, City officials transferred $800,000 to provide a cushion in the YPS vendor account to avoid any possible overdrafts. Per City officials, the $800,000 was not due back to the City.

We reviewed the June 2015 bank reconciliations and bank statements for the City's operating account and the YPS vendor account and found that both bank reconciliations were incorrect. In order to compensate for the adjusting journal entry, the City reduced its book balance on the bank reconciliation of its operating account by $800,000 to reconcile to the adjusted bank balance. Similarly, the YPS vendor account bank reconciliation showed a $0 general ledger book balance as of June 30, 2015 even though the $800,000 was in the bank account. YPS reduced the bank balance on its reconciliation by $800,000 to reconcile to the $0 book balance.

According to the City's independent auditor, the City's operating account had many reconciling items that remained on the bank reconciliations, including the $800,000 transferred to the YPS vendor account in June 2012. City officials could not determine how this transfer was originally booked because it was made in an accounting system no longer in use. In order to correct the reconciling items, the City and its auditors decided to debit cash and credit miscellaneous revenues.

By making the adjusting journal entry, the City's financial statements and accounting records showed an additional $800,000 in cash and revenue in the general fund in 2014-15 even though the cash was in YPS' custody and the revenue was not received. As a result, the City's cash was overstated and the YPS' cash was understated by $800,000 for fiscal years 2014-15 and 2015-16. In addition, revenue for fiscal year-end 2014-15 was overstated by the $800,000. Therefore, the Council did not have accurate financial information to make decisions.

Bank Accounts

In order to maintain accurate and complete accounting records, all cash held in City bank accounts should be recorded in its accounting records. Some basic and essential record keeping and reporting requirements include maintaining official bank accounts in designated depositories; depositing money received into an official bank account and properly securing those moneys; and maintaining accurate and complete accounting records to record moneys received and disbursed.

We compared City bank account lists to fiscal year-end 2014-15 and 2015-16 trial balances and found that City officials did not record all cash in its accounting records. For fiscal year 2014-15, the City did not record three bank accounts with cash balances in its accounting records. The accounts not recorded were for the City Clerk's office, Workers' Compensation and the community development agency (CDA). For fiscal year 2015-16, City officials did not record three bank accounts with balances in its accounting records. The accounts not recorded were for the City Clerk's office, Mayor's Adopt-A-Mile program and the CDA.

According to the Director of Accounting, the City Clerk's bank account is not recorded in the City's accounting records because part of the money in the account belongs to New York State (State) for fees collected for various licenses. The City Clerk has a checkbook for the account to make payments to the State and remit collections to the City's main operating account. However, it is important for the City to record all cash held in bank accounts in its accounting records.

The Director of Accounting stated that the Workers' Compensation account was not recorded in the City's accounting records until the 2015-16 fiscal year because the account was previously held by an outside vendor used by the City. The City changed vendors and opened a new account in November 2014, but did not record the account in its accounting records. City officials discovered the account in March 2016 and subsequently recorded it in its general ledger.

City officials indicated that the CDA funds were not City funds. However, we found that other CDA bank accounts were recorded in the City's records. In order to maintain accurate and complete accounting records, all cash held in City bank accounts should be recorded in its accounting records.

City officials did not provide adequate oversight over these bank accounts. As a result, the City did not record cash totaling $516,618 as of fiscal year-end 2014-15 and $130,855 as of fiscal year-end 2015-16. As a result, there is an increased susceptibility to cash misappropriation.

Tax Certiorari Expenditures

Under the modified accrual basis of accounting, expenditures are recognized when the liability is incurred, with certain exceptions. Expenditures are generally recognized when they are expected to draw upon current spendable resources. It is critical that there is sufficient cash flow, when needed, to sustain current spendable resources. According to the City's 2015-16 adopted budget document, the City uses the modified accrual basis of accounting for its governmental funds with the exception of judgments and claims, which are charged as an expenditure when paid.

We reviewed the expenditures recorded for tax certiorari payments for fiscal years 2014-15 and 2015-16. City officials recorded expenditures totaling approximately $9.5 million for 2014-15 and $7.1 million for 2015-16. According to the Director of Accounting and the City's independent auditor, the City recognizes tax certiorari expenditures as the amount bonded for tax certioraris in that fiscal year plus the amount budgeted in that fiscal year. For example, in 2015-16 the City bonded $6.6 million for tax certiorari claims and budgeted $500,000 in its general fund operating budget. Therefore, the amount of expenditures recognized was $7.1 million.

In 2014-15, the City budgeted $500,000 for tax certiorari payments and issued bonds totaling $8.5 million. City officials reported tax certiorari expenditures totaling $9.5 million. Applying methodology described above City officials incorrectly accrued an additional $500,000 in expenditures. City officials told us that they mistakenly accrued an additional $500,000 in bond proceeds issued in prior years. As a result, the City's expenditures were overstated by approximately $500,000.

As described previously, the City does not charge tax certiorari expenditures when paid. In addition, the City recognizes the full amount of the bond proceeds in its general fund following the issuance of the bond, even though the proceeds are not fully spent during the fiscal year. In 2015-16, the City made tax certiorari payments totaling approximately $2.6 million, but accrued $7.1 million in expenditures for that year. The full amount bonded by the City during that fiscal year for tax certioraris, $6.6 million, was shown in the City's general fund, which implicates provisions under the Act. By showing the full amount of the bond proceeds as revenue in the general fund during a fiscal year even though the full amount is not spent during that fiscal year results in fund balance at fiscal year-end. Under the Act, fund balances may not be budgeted by the City in the following fiscal year; rather, the City must wait until the second fiscal year following the fund balance before these monies can be budgeted. The City's independent auditor advised us that the City accrues the tax certiorari expenditures in this manner because of the restriction in the Act regarding budgeting fund balance. Therefore, City officials and the independent auditor felt it was best to accrue the total proceeds as an expenditure and establish an accrued liability account for tax certiorari payable. If, however, the City were to use the modified accrual basis of accounting for these moneys and only recognize the amount of the bond proceeds that is equal to the amount of total tax certiorari expenditures actually due, then the restriction in the Act would not be triggered.

Due to poor accounting and reporting, the Council, City officials and residents are not being provided with an accurate picture of the City's true financial condition. Without accurate financial information, the City's fiscal health is at risk and City officials cannot develop an accurate fiscal plan for the future.

Recommendations

City officials should:

12. Properly record interfund loans and advances not expected to be repaid as transfers.

13. Evaluate components of fund balance to ensure they are properly reported and supported.

14. Review adjusting journal entries performed by the City's independent auditor to ensure they are proper and accurately represent the City's financial condition and transactions during the accounting period.

15. Prepare bank reconciliations to identify any difference between the general ledger cash accounts and net bank balances, any differences should be timely researched and resolved.

16. Periodically reconcile the accounts receivable control accounts in the general ledger to subsidiary accounts and source documents.

17. Evaluate receivables to determine if they are reasonably collectible and periodically write-off receivables that are deemed uncollectible.

18. Record reclassifying journal entries in the accounting records that are deemed appropriate, in order to provide accurate financial information to the Council.

19. Perform periodic evaluations of bank accounts held by the City in order to ensure all cash is accounted for and recorded.

20. Re-evaluate the methodology for the accrual of tax certiorari expenditures to ensure transparency and consistency in the reporting and budgetary processes.

The Council should:

21. Re-evaluate the practice of rolling over unexpended appropriations that are not committed for a specific purpose.

22. Approve interfund advances in the same manner as prescribed for making budgetary transfers between appropriations.

Financial Oversight

The Committee of Sponsoring Organizations (COSO) of the Treadway Commission is an initiative dedicated to improving the quality of financial reporting through ethics, effective internal controls and corporate governance. The COSO framework considers not only the evaluation of hard controls, such as segregation of duties, but also soft controls, such as the competence and professionalism of employees. COSO establishes criteria for local governments to assess the effectiveness of their internal controls. The five interrelated elements of an internal control framework are control environment, risk assessment, control activities, communication and monitoring. The overall success of a system of internal controls is dependent on how effectively each of these elements functions and how well they are coordinated and integrated with each other.

The Council and City officials did not provide adequate oversight of the City's financial operations. City officials do not perform internal audits or conduct internal control assessments. The Council and officials did not establish policies and procedures related to maintaining and using fund balance. Quarterly financial reports do not provide the Council with adequate resources to react to financial problems in a timely manner. The City does not have a long-term capital plan and the City's multiyear financial plan does not address the need to eliminate issuing debt for recurring expenditures. The Council's failure to properly monitor the City's financial condition and develop needed policies has contributed to the City's financial problems.

Risk Assessment

The design of internal controls to fit an organization's needs begins with a risk assessment process. Risk assessment is the identification of factors or conditions that threaten the achievement of an organization's objectives and goals. It involves identifying risks to the effectiveness and efficiency of financial and service operations, to the reliability of financial reporting and to compliance with laws and regulations. Local governments should conduct an assessment to identify risks to their operations. A prudent approach would be to periodically conduct an entity-wide risk assessment.

The Charter establishes a Bureau of Management Auditing (Bureau) to serve as the City's internal audit function. The Bureau's duties, outlined in the Charter, are to audit all agencies, financial transactions, expenditures of City funds from any public or private agency, receipts of revenue and the operations and programs of City departments. The Charter also assigns the Inspector General (IG) with the powers and duties to establish, maintain and monitor, with the cooperation and assistance of the heads of all of the agencies within the City government, adequate internal control procedures to ensure the maximum integrity of agency operations and to reduce vulnerability to fraud, abuse and corruption. Also, the IG, in cooperation with department heads and agencies, shall conduct and oversee internal audits of department and agency financial affairs and operations.

Although the Charter requires an internal audit function and assessment of internal controls, City officials do not perform internal audits or risk assessments. City officials told us that the Bureau does not exist. The IG investigates all allegations of fraud, abuse and corruption within the City and vendors with a financial relationship to the City. According to the IG, the department does not have enough resources to conduct annual or continuous evaluations of internal controls.

When management does not conduct assessments of internal controls, it is likely that these controls are not functioning effectively. Without an effective risk assessment, it is difficult for Council and City officials to identify and address risks to the effectiveness and efficiency of financial and service operations, to the reliability of financial reporting, and to compliance with laws and regulations.

Fund Balance Policy

A fund balance policy provides the guidelines for maintaining and using unrestricted fund balance and reserves and can be useful to ensure funds are available to cover unanticipated expenditures or revenue shortfalls. The Board should adopt a policy to establish the level of fund balance to be maintained in each fund. A policy regarding the accumulation or reduction of fund balance and the optimum amount of fund balance the City should maintain would assist officials in planning for future needs and assist in establishing financial stability for the City.

The Council and City officials have not established a fund balance policy. According to the Council President, the maintenance and use of fund balance is at the Council's discretion. The Council and City officials also do not have specific procedures for determining the amount of fund balance to appropriate in the budget. According to the Commissioner, fund balance is appropriated to balance the budget.

Without adequate policies and procedures, City officials and staff do not have the proper guidance to make consistent financial decisions in accordance with the Council's directives and in the best interest of residents.

Oversight

Once the financial course has been set through the adoption of key policies and procedures, Council members have the equally important task of keeping operations on course. This oversight responsibility requires continued diligence. Council members should compare actual results to plans, policies and directives. The Council's concerns and decisions should be communicated to appropriate senior management and department heads so adjustments and corrections can be made, as needed, in a timely manner.

The Council's role in overseeing the financial condition of the City is of particular importance. Local governments must avoid significant cost overruns or estimation errors. Pertinent information must be identified, captured and communicated in a form and timeframe that enables officials and employees to carry out their responsibilities. The Council needs accurate and timely financial information to effectively manage the City's financial resources and properly oversee its financial condition. The Council cannot make informed decisions regarding the City's financial condition if the required information and other financial reports are not provided to them in a timely manner.

The Council is provided with quarterly financial reports, which include a revenue and expenditure forecast summary and trial balance. However, the Council does not receive a detailed budget-to-actual report or fund balance projections. The revenue and expenditure forecast summary includes: prior year actual results, the current budget, year-to-date actual results, projections for the year, variances between current budget and projections and any comments on specific line items. Without a detailed monthly budget-to-actual report or fund balance projections the Council cannot properly monitor the City's financial condition or react to financial problems in a timely manner. Also, due to accounting record deficiencies, Council cannot be certain that the interim financial reports are accurate.

According to the Budget Director, fund balance projections are not provided to the Council. Fund balance projections are provided to the City's independent auditors who perform the City's annual budget reviews. The Council members that we interviewed were not aware of the fund balance deficit in the sewer fund at fiscal-year end 2014-15. The accounting record deficiencies contributed to Council being unaware of the sewer fund deficit.

Multiyear Planning

An important Council oversight responsibility is to plan for the future by setting adequate long-term priorities and goals. To address this responsibility, it is important that City officials develop comprehensive multiyear financial and capital plans to estimate the future costs of ongoing services and capital needs. Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period and would help City officials identify developing revenue and expenditure trends and set long-term priorities and goals.

The Council has not adopted a formal multiyear capital plan. The Commissioner told us that the City has an informal multiyear capital plan. We reviewed the plan and found that it is a four-year capital budget based on estimates provided by departments. However, the plan is not supported by detailed estimates. Had a formal multiyear capital plan been adopted, Council and officials would have had a valuable tool that would have assisted in making more informed financial decisions when planning for capital needs and debt issuances.

The City has a four-year financial plan that is updated on an annual basis. The multiyear plan includes revenue and expenditure projections, areas of concern, budget gap closing measures, analysis of budget deficits and an overview of operations for the previous four years. It does not address the issue of bonding for tax certiorari payments. The plan is based on the continued practice of bonding for tax certiorari payments. According to the multiyear plan, a revaluation project could reduce the need to bond for these costs. However, it would not eliminate the need to bond for recurring expenditures. Without addressing and eliminating the issuance of debt for recurring expenditures, the City will continue to incur additional debt and interest costs.

Recommendations

The Council should:

23. Review the Charter and evaluate the need for an internal audit function.

24. Develop and adopt a fund balance policy.

25. Consider requiring monthly financial reports for the Council. The Council should use such reports to assess the City's financial position in order to make informed financial decisions.

26. Require that City officials provide fund balance projections in proposed budgets.

27. Develop and adopt a multiyear capital plan.

28. Develop a plan to fund tax certiorari payments with annual appropriations.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

The City's response letter refers to attachments that support the response letter. Because the City's response letter provides sufficient detail of its actions, we did not include the attachments in Appendix A.

The City's response letter refers to page numbers that appeared in the draft audit report. The page numbers changed during the formatting of this final report.

Mayor Mike Spano
CITY OF YONKERS
John A. Liszewski
Commissioner of Finance
DEPARTMENT OF FINANCE AND MANAGEMENT SERVICES
One Larkin Center
Third Floor
Yonkers, NY 10701
Tel. 914.377.6168
Fax 914.376.8218

December 19, 2017

Officer of the State Comptroller, State of New York
Newburgh Regional Office
33 Airport Center Drive
Suite 103
New Windsor, NY 12553

Dear Ms Blamah,

This letter is offered as the response to the preliminary findings presented to the City of Yonkers in a draft report entitled "City of Yonkers Financial Operations Report of Examination" for the period covered July 1, 2014 – June 30, 2016.

I would like to thank the Comptrollers' staff that conducted the audit in a courteous and professional manner.

We respectfully disagree with the audit results as depicted in the Executive Summary and the body of the report. While the City generally agrees with the recommendations in the Draft Report, many of which have already been implemented as part of the City's efforts to consistently meet and exceed reporting requirements, we are concerned that the report may not provide certain important details and context for some of the findings. Therefore, the following comments, by section, will address such concerns.

See Note 1 Page 47

Executive Summary
Audit results page 4

In regard to the executive summary we respectfully disagree with the audit results statement on page 4 "The Council and City officials have not effectively monitored the City's financial condition". This is a broad statement that inaccurately depicts rigorous reporting and monitoring that the city undertakes on a regular basis.

See Note 2 Page 47

Statutorily, the City is required to comply with certain reporting under the fiscal agent act and deficit financing act. The City goes above and beyond statutory requirements. The following bullets describe City monitoring and reporting:

- Since adoption of the fiscal agent act in 1976, the City has been under the auspices of the Office of the State Comptroller. The OSC has approved all budgets, inclusive of capital, year after year with the knowledge of the City financial condition. As our

See Note 3 Page 47

- The City is in compliance with reporting responsibilities under the Yonkers City School District Deficit Financing Act and LFL 10.10, which requires us to provide quarterly forecasts comparing revenue estimates and appropriations with actual revenue and expenditures made to date for operating funds, to various stakeholders including City elected officials, State Departments, and the State Assembly and Senate Committees, and the Office of the State Comptroller. Commentaries on significant projected variances are noted in the report thoroughly communicating the root causes to all stakeholders including OSC. To date the OSC has not questioned City officials on any published quarterly report.

See Note 4 Page 47

- Under the Fiscal Agent Act, the City provides significant information and backup with regard to OSC's annual budget review requirement. The cost analysis calculus for dozens of expenditure and revenue items is provided in formats amenable to OSC auditors, as are requests for historical data, the basis for contract cost needs, and a myriad of other support documentation.

See Note 3 Page 47

- The City charter requires that any amendment or transfer of funds in the budget between departments have City Council Approval. Concurrence by OSC, pursuant to the Special Local Finance and Budget Act of 1976, is also obtained by the City.

- The City has participated in the OSC Fiscal stress monitoring program since its inception whereby the OSC has published results for multiple consecutive years identifying various degrees of fiscal stress for the City of Yonkers.

- Balances of capital funds available and encumbered are distributed quarterly to the City capital committee as well as department heads.

- Projections of the City cash flow position are sent to OSC; to date there have been no inquiries of the City regarding cash projections.

- Finance officials provide quarterly financial briefings to the City Council and as needed during the year to address financial matters. Finance officials provide monthly financial updates to the YPS Board of Trustees via the Audit, Budget & Finance Committee public meeting.

Audit results page 5 paragraph 1

"...total indebtedness has increased by 10 percentage points" and ... "the City has repeatedly borrowed without first exhausting prior bond proceeds"

Yonkers has aging infrastructure with varied needs in a large and geographically diverse city. We acknowledge that City indebtedness has increased however we remain comfortably within constitutional debt limits exhausting 33% of our debt contracting capacity before the most recent bond sale. The City does not borrow the entire amount of a capital budget in any given year. We very prudently borrow what we can afford in increased debt service costs. Department heads assess needs and with direction from elected officials make value judgments on what to borrow for based on affordability. The City Charter requires, and the

City has conformed, to the review by the Capital Projects Committee of all capital projects requests. All of this is done within the framework of the Fiscal Agent Act.

The Fiscal Agent Act prohibits the City from expending funds on capital projects until a bond or note is issued and the proceeds are deposited in an account managed by the Fiscal Agent. In an example provided, River Outflow Remediation, bond proceeds remained unspent for this project description while new bonds were being issued. The Comptroller should understand the effect of the Fiscal Agent Act's restriction in light of the City's well-structured procurement policy. The City does not commence any action until the bond/note is issued and the proceeds are deposited; to do so would violate the Act. Once the proceeds are deposited, the City time line is approximately:

See Note 5 Page 47

- Two months preparing the contract, including the request to advertise
- One month open advertising
- One month bid review and Board of Contract and Supply (BOCS) approval
- Two months of contract negotiation and exchange with the awarded vendor
- One month pre-construction preparation and mobilization

Therefore upwards of seven months pass before work is fully approved to commence. Then location and seasonality are factors; can the work occur in colder months, would the remediation necessitate sewer work that would prohibit public school functionality, etc.

Given the restrictions of the Act, and the City's comprehensive procurement policy, and the conditions under which a project must occur, it can be several years before capital project funds are fully expended. We cannot, as the OSC suggests, simply wait until the current remediation project is completed before bonding again for the next remediation project. There must be multiple projects in active status to maintain this City's infrastructure; that is the reality of operating a municipal government under the Fiscal Agent Act.

Audit results page 5 paragraph 2

"The Council has continued to appropriate fund balance in the City's budget without using it....this practice diminishes transparency in the budget process"

The Special Local Finance and Budget Act of 1976 contain statutory guidelines with regard to the inclusion of revenue items and the respective estimates into the adopted budget. There have been instances, despite anticipating greater revenue; the provisions of the Budget Act prohibit higher estimates. Fortunately, the City has availability of certified fund balance to be budgeted thereby permitting the adoption of balanced budgets, and OSC certification of the adopted budget as required by the Budget Act.

The OSC suggests that the City intentionally has over-appropriated fund balance for expenditures rather than utilizing fund balance to reduce borrowing for tax certioraris and textbooks. Fund balance return was strong in the years indicated primarily because revenues exceeded budget, including sale of property and economically-sensitive tax collections, and not because the City over-appropriated funds for expenditures. The Fiscal Agent Act prohibits the City from budgeting any unproven revenue sources. The City stands by its conservative budgeting approach for sales and compensating use tax, personal income tax surcharge, and housing-market related taxes. The City budgets only a nominal amount for sale of property, because sale of property is so uncertain. And the City also defends its budgeting for expenditure appropriations, which are sufficient, but not

See Note 6 Page 48

excessive, to maintain operations and provide excellent municipal and educational services in an efficient and productive manner.

Audit results 5 paragraph 2

"The continued reliance on one-time revenues to fund recurring expenditures could lead to budget gaps in the future if alternative funding sources are not identified"

We agree with this statement regarding the reliance on one-time revenues. However it should be noted that we have added recurring revenues to the budget by increasing sales tax including a portion dedicated to the Yonkers Public Schools, increased personal income tax, instituted a hotel tax and exceeded the 2% tax cap while State Aid to Municipalities has not increased in over 5 years.

Audit results Page 5 paragraph 2

"The City exhausted over 91 percent of its taxing authority"

We acknowledge and agree with this comment. The city has been and remains acutely aware of its financial position and dangerous proximity to its constitutional tax limit. It should be noted that the 2% constitutional limit is shared for City and education purposes. The Yonkers Public Schools does not have a separate taxing authority.

Audit results Page 5 paragraph 3

"We also found that City officials did not ensure accounting records were accurate, supported and complete and they did not consistently apply accounting principles or adequately account for financials transactions that affected the City's operations" and "...non spendable fund balance was overstated by $4million".

This is an overly broad statement that is unsupported by specific example. It should be noted that the City has received an unmodified opinion from our independent audit firm in accordance with generally accepted accounting principles for the past 30 years, and has been awarded the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for at least the past 16 years. That award recognizes the City's financial statements conforms with "...the highest standards of preparation of state and local government financial reports".

See Note 7 Page 48

Regarding the $4 million "over statement" of fund balance, in fiscal year 2014/15 the City sold a property for $7.1million reflected as revenue on page 92 of the 2015 CAFR as a gain on sale of tax acquired property. When the City Council approved the sales resolution it was implicit in the approval that $4mm would be set aside to cover the potential loan defaults on the HUD 108 loan program. Setting aside a portion of the proceeds of this sale of real estate was the prudent thing to do for taxpayers of the City of Yonkers. The City Council took steps to act responsibly to ensure the City meets its obligations on the HUD loans. The City's analysis showed that by moving this $4 million into a loan repayment account, coupled with the money that was already in the account plus the expected inflows from good paying loan customers over the remaining years, there would be sufficient resources to pay HUD back the remaining principal obligation of $7,795,000 (from page 102 of 2016 CAFR) plus interest.

See Note 8 Page 48

The Budget Act prohibits the appropriation of fund balance "post budget adoption" and therefore the inclusion of the "non-spendable appropriation of fund balance" from the base year could not be spent. It could only be legislated during the adoption process of the fiscal year 2017-18 budget year. It was included in the fiscal year 2017-18 budget appropriation process and was removed from non-spendable fund balance as of June 30, 2017.. While it's true the $4 million is in the total fund balance of 2015 by having it designated as non-spendable, it has been excluded from unassigned fund balance for fiscal years 2015 and 2016. Again, this was the prudent thing to do to ensure our obligation to HUD will be met. The transfer was formally contained in the fiscal year 17-18 appropriation process and reflected in the 2017 CAFR. This correction was in process prior to the commencement of this report.

See Note 8 Page 48

Audit results Page 5 paragraph 3

"....the general fund's accounts receivable balance included $69,000 that was from an entity that went into bankruptcy proceedings in the fiscal year ending 2010-11".

We agree this immaterial amount should have been written off.

Audit results Page 5 paragraph 4

..."City officials improperly recorded an adjusting journal entry in the amount of $800,000 in the general fund that erroneously increased the amount of cash and miscellaneous revenue in the accounting records."

This statement is incorrect. OSC ignored COY's explanation of the relationship between the City's operating account and the YPS vendor account. The YPS annual report does not show a cash position, ever. All cash is only reported on the City's books. OSC statements demonstrate a lack of understanding of the City's business.

See Note 9 Page 48

Within the Government Accounting, Auditing and Financial Reporting (GAAFR), it clearly states that pooled cash may be overdrawn in one fund, which would be required to be presented as an interfund payable/receivable.
Chapter 5 of the GAAFR includes guidance for the overdraft from an internal investment pool. The definition of an internal investment pool is: "Governments commonly combine the cash and investments of several funds to enhance investment opportunities, operating efficiency, and physical custody and control. Those arrangements are known as internal investment pools."

See Note 10 Page 48

Proper GAAP presentation of financial statements precludes the reporting of a negative cash balance. In the event of a cash overdraft the appropriate presentation would be a "liability in like amount". Please refer to the GFOA checklist which states you must refrain from showing negative cash. This confirms that this is a reporting entry only and would not be considered an interfund advance per GML §9-A.

Introduction

Scope and Methodology Page 8, 3rd paragraph

In addition to the fiscal agent provisions regarding the debt service bank accounts, the Comptroller certifies the City budget after analysis of revenues and expenses. There is no

See Note 11 Page 49

mention of this OSC budget certification process or the review of capital expenditures vouchered in this paragraph.

See Note 11 Page 49

Financial Condition

Page 9

"The Council and City officials did not effectively and adequately monitor the City's financial condition and take appropriate measures to maintain the City's financial stability."

We respectfully disagree with this statement and the characterization in this full paragraph. Council and City officials are keenly aware of the City's financial condition. Please note the monitoring and reporting regime documented on page 2 of this letter and additionally note the following:

See Note 2 Page 47

- Under the current administration an executive order was issued mandating the Commissioner of Finance to produce a four year financial plan on a yearly basis. The Yonkers City School District Deficit Financing Act and LFL 10.10 also require a multi-year financial plan; note that this plan was already being produced under executive order.
- Elected officials took action to reduce the reliance on one time revenues by approving increases of recurring revenues such as sales tax, personal income tax, and property taxes as well as implementation of a hotel tax.
- Elected officials have limited pilots to 10 years or less.
- City Officials put financial oversight in place for the Board of Education through the historic inter-municipal agreement (IMA) between the City and Board. The IMA requires that the City assume all BOE finance and budget functions providing for full transparency of the financial condition of the BOE.
- The City is in compliance with reporting responsibilities under the Yonkers City School District Deficit Financing Act and LFL 10.10, which requires us to provide quarterly forecasts comparing revenue estimates and appropriations with actual revenue and expenditures made to date for operating funds to City elected officials.
- The credit rating for Yonkers is the highest it has been in modern time. Moody's has previously noted the City's willingness to identify recurring revenues and settle labor contracts as positive factors in published reports. Moody's most recently assigned an A2 rating (stable outlook) to Yonkers' general obligation debt in 2017. "The underlying A2 rating reflects the city's improved financial management, including recent legislation giving city management greater control over Board of Education (BOE) finances. The rating incorporates the expectation that the city will continue to maintain limited reserve levels and rely on one-time revenue and expenditure items for the near term. The rating also reflects the city's manageable debt burden and a large, diversified tax base that will likely benefit from ongoing development".[1] In December 2017 Moody's has updated its methodology for State Aid Intercept Programs and Financings. With this new methodology, the City's 99-B intercept bonds for the Board of Education have been upgraded from A1 to Aa3.
- Long expired contracts with all major unions were settled in the current administration giving predictability to the yearly budget.

See Note 12 Page 49

---

[1] Moody's report titled "Yonkers (City of) NY New Issue - Moody's assigns A2 rating to Yonkers' (NY) 2017 GOLT bonds; outlook is stable" dated August 2, 2017.

Use of Bond Proceeds and Debt Page 10

Included in the outstanding debt of the City is $37million of deficit bonds which, if backed out, would leave a debt profile in a reasonable range for a city of similar size and age to Yonkers.

See Note 13 Page 49

The City has capital needs that far outweigh the appetite for additional debt. As already noted above the Fiscal Agent Act prohibits the City from expending funds on capital projects until a bond or note is issued and the proceeds are deposited in an account managed OSC, Fiscal Agent.

Use of Bond Proceeds and Debt Page 11 paragraph 3.

Bond resolutions are tied to the capital plan published in budget year which provides details on the use of proceeds by project name. The use of proceeds is in compliance with bond ordinances that are adopted by the City Council and note the PPU, plan of finance, declaration of intent and authorization of bonds and notes.

Use of Bond Proceeds and Debt Page 12 paragraph 1

OSC notes the City issued bonds payable over 15 years for items such as books and supplies having a 3 year PPU. We agree and this was done in compliance with local finance law governing the issuance of debt. A weighted average maturity of 15 years was used (WAM) for the issuance noted. While the use of WAM increases the payback period on textbooks and supplies amortized over a longer period, higher dollar longer term projects are being paid back over a *shorter* time period than they would have been if the WAM was not used.

New York State General Finance Law permits the bonding of textbooks and judgments such as tax certiorari. We agree that bonding for operating expenditures such as text books and tax certioraris is not preferred but we have no other revenue sources to pay for these items. Until the City is able to identify an operating revenue source bonding will be a consideration.

Use of Bond Proceeds Page 12 paragraph 3

Two bond issues "...were not properly supported by a list of tentative tax certiorari settlements" and "...the City cannot estimate its total tax certiorari exposure".

The list of tentative settlements that legal provides to Finance is the list to be approved by the City Council to authorize settlement. That same list is utilized by finance to borrow the requisite funds to pay the judgments.

When legal presents the list of tentative settlements to the City Council and the Finance Department for further action (legislative approval and departmental payment), the case has, for the most part, concluded. That means that a petition and note of issue (certification for trial readiness) were filed, there were settlement discussions, and we are now prepared to recommend to the client (City Council and Mayor) to settle the matters. Any list legal prepares before those settlement discussions occur is speculative and inaccurate. These cases are not very complicated and are based on appraisals. Those appraisals drive the resolution and ultimate settlement.

See Note 14 Page 49

7

In the case of the fiscal year 2012-13 Bond anticipation note that was done for $500,000 in excess of the list, the final amount was decided after consultation with legal on the potential outcome of settlements and within the bond resolution for this specific purpose. There are far more tentative settlements in the pipeline than are bonded for in any given year and the BAN monies including the additional $500,000 were used for appropriately approved settlements.

See Note 15 Page 49

Capital Planning Page 13

Since 2012 the City has taken steps to endeavor upon more rigorous capital planning. First the City took steps to do a clean-up of capital money that predates this report, and was done with the approval of OSC. Then training was provided to department heads and staff to educate everyone on the rules for 6, 12 & 18 month spending schedules for capital. On July 1 2016 the City implemented new financial software that, among other things, is able to provide detailed capital spend reporting to Department heads; the software far exceeds the capabilities of our previous software. Lastly, over the past year additional staffing resources have been dedicated to the monitoring of spending and key capital milestones, as well as working with Departments on the development of future capital planning needs and more detailed estimates as required by the city code.

Budgeting Practices Pages 14-17

Page 14 "The lack of guidance on using fund balance contributed to the unused appropriated fund balance".

We disagree with this statement. Most of the budget surpluses in recent years were generated from un-budgeted or better than budgeted revenues, not significant budget variances on the expenditures. Because of the Fiscal Agent Act we are not allowed to modify the budget during the fiscal year and therefore can't take budget surpluses to avoid bonding on tax certs.

See Note 16 Page 49

Water Fund Page 15

The City endeavored upon a change of meters throughout the City providing for actual readings, eliminating estimated readings that have been done previously. We anticipated fluctuations in readings as property owners came on line to the new system over 3 years and bills were issued with actual readings. As such in 2015-16 we set up a contingency for fluctuations in revenue, believing this was the prudent thing to do for our taxpayers.

The $1.5 million contingency did not need to be utilized, and therefore was returned to fund balance. Fund balance was also appropriated for an expected water operations increase that did not materialize. An alternative to balancing the Water Fund in these instances would have been to raise Water Rents, a permanent and irrevocable action with a detrimental effect on the taxpayer. Another alternative would be to forego contingency budgeting, yet the OSC criticizes the City when it does so. Instead, the City chose to utilize the fund balance, prepare for a contingency situation, and not burden the taxpayer. The City defends its utilization of Water Fund balance.

See Note 17 Page 49

Library Fund page 15

The Special Local Finance and Budget Act of 1976 is specific with regard to estimated appropriations. Our understanding of the Act as it pertains to personnel salaries, wages and fringe benefits is that the full amount is required as an appropriation. OSC criticizes the City in this report for appropriating and returning fund balance in the Library Fund. The primary source of return to fund balance was personal service savings; the Library (and many other City agencies) efficiently carried out its mission with vacancy savings generated from the delay in hiring replacement personnel, and in the delta of higher-cost retirees versus lower cost new hires. The City is proud of its full-payroll budgeting practice in all funds, which utilizes a snapshot of current personnel, and then projects to the subsequent year's payroll scales, steps, grades, and longevities. We do not incorporate "vacancy" savings in the budgeting process, because this one-shot practice is difficult to restore in subsequent years. The return of fund balance in the Library Fund is a sign of efficient management of the taxpayer's dollar, and we will continue to endeavor to return same.

Sewer fund page 15

Sewer Fund balance experienced a deficit after the citywide installation of new water meters for every customer. (Sewer rates are based on water consumption.) The prior "estimation" billing method had created discrepancies in revenue, and once the actual, metered data from new meters was calculated, sewer revenue was determined to be lower than required to support operations. Sewer Rents were therefore increased to close the deficit, and the Sewer Fund Deficit has been eliminated in accordance with the requirements of the Budget Act for the City.

Water transfer page 16 paragraph 3

See Note 18 Page 49

We stand by our method of cost allocation to represent General Fund support of Water Fund operations.

Accounting records

Page 19 paragraph 2

"We identified significant problems with account balances resulting in an inaccurate depiction of the City's financial activity."

As stated before, the City has received an unmodified opinion from our independent audit firm in accordance with generally accepted accounting principles (US GAAP) for all years in recent history. We have been awarded the Government Finance Officers Associations' Certificate of Achievement for Excellence in Financial Reporting for at least the past 16 years. That award recognizes the City's financial statements conforms with "...the highest standards of preparation of state and local government financial reports" and "in accordance with generally accepted auditing standards."

General Fund Balance page 19 paragraph 3

See Note 8 Page 48

We disagree with the OSC assertion that fund balance was overstated. As noted previously, in fiscal year 2015 the City sold a property for $7.1 million. It was implicit in the City Council approval of the sale contract that $4 million would be set aside to cover the potential loss on the HUD Section 108 loan program. Setting aside a portion of the proceeds of this sale of real estate was the prudent thing to do for taxpayers of the City. The City Council took steps to act responsibly and ensure the City meets its obligations on the HUD loans. We acknowledge that the transfer from non-spendable should have been done via the appropriations process in fiscal year 2016-17. It was included in the fiscal year 2017-18 budget appropriation process and was removed from non-spendable fund balance at June 30, 2017. While it's true the $4 million is in the total fund balance of 2015, by having it designated as non-spendable it has been excluded from unassigned fund balance for fiscal years 2015 and 2016. Again, this was the prudent thing to do to ensure our obligation to HUD will be met. The transfer was formally done in the fiscal year 17-18 appropriation process and reflected in the 2017 CAFR. This correction was in process prior to the commencement of this report.

Receivables discussion pages 21-22

GASB Codification Section 2300.125 does make reference indicating that "Significant receivable balances not expected to be collected within one year of the date of the financial statements should be disclosed". However, the GASB does not spell out the manner or form that such disclosure must take.

We believe that the City's current note disclosure in regards to taxes receivable is sufficient and adequate. In fact, the City's financial statements are submitted to the Government Finance Officers' Association each year to be considered for a Certificate of Achievement for Excellence in Financial Reporting ("CAFR"). The City has received this award for a number of years and has never been cited for a deficiency in this area.

The City's 2016 CAFR on page 49 discloses the total taxes receivable of $29.3 million, including the fact that $8.6 million is from prior year City and County taxes (thus in excess of one year old), along with $3.8 million in tax sale certificates and $3.7 million in property acquired for taxes. Furthermore, in the same chart, the City indicates that these taxes receivable have an "allowance for uncollectible amounts" of $13.1 million against these balances which indicates that collection is either doubtful or not expected. However, taxes receivable cannot be written off without legal approval. In addition to the allowance, the paragraph following the chart also indicates that another $13.1 million of the taxes receivable is in deferred revenue indicating that this amount was not collected within 60 days of the fiscal year end and therefore cannot be recognized as revenue and included in the fund balance.

See Note 19 Page 50

Accordingly, between the amount in the allowance of $13.1 million and the amount in deferred revenue of $13.1 million, a total of $26.2 million of the total receivable of $29.3 million has not been recognized in fund balance as of June 30, 2016. The remaining difference of $3.1 million ($29.3 million receivable less $26.2 million allowance/deferred) was collected in the first 60 days after fiscal year end and was reflected in revenue.

We believe by showing these amounts, the City has appropriately indicated that the vast majority of its tax receivable balance is not going to be reasonably collected within one year from the date of the balance sheet and that note disclosure of this fact is adequate.

The only other disclosure required of property taxes is stated in GASB Codification P70.108 which requires "details of the governmental units property tax calendar, including lien dates, levy dates, due dates and collection dates should be disclosed in the notes to the financial statements". The City has made such disclosure on page 41 of the 2016 CAFR.

Reference to QSCB interest income page 21 last paragraph

"...erroneous payroll tax filing'

The City acknowledges and agrees that the IRS has withheld QSCB interest income to satisfy a claim on payroll tax filings. However a clarification is needed with regard to the nature of the filing. The payroll filings were not "erroneous" and this description mis-categorizes the filing issue. Payroll filings for the employer portion of FICA and Medicare tax were completed for the tax year in question however the IRS interpreted them differently than they had in the past. Over 12 months we worked with a tax payer advocate and revised the filing (clerical in nature with no financial impact), however, the IRS did not acknowledge the change and continued to withhold the QSCB funds. After exhausting all avenues with the taxpayer advocate, and receiving no acknowledgment from the IRS, the City filed a lawsuit to recover the monies. The litigation is currently active.

<u>Financial Reporting</u>

Statements on tax receivable disclosure Pages 21 & 22

GASB Codification Section 2300.125 does make reference indicating that "Significant receivable balances not expected to be collected within one year of the date of the financial statements should be disclosed". However, the GASB does not spell out the manner or form that such disclosure must take.

We believe that the City's current note disclosure in regards to taxes receivable is sufficient and adequate. In fact, the City's financial statements are submitted to the Government Finance Officers' Association each year to be considered for a Certificate of Achievement for Excellence in Financial Reporting ("CAFR"). The City has received this award for a number of years and has never been cited for a deficiency in this area.

The City's 2016 CAFR on page 49 discloses the total taxes receivable of $29.3 million, including the fact that $8.6 million is from prior year City and County taxes (thus in excess of one year old), along with $3.8 million in tax sale certificates and $3.7 million in property acquired for taxes. Furthermore, in the same chart, the City indicates that these taxes receivable have an "allowance for uncollectible amounts" of $13.1 million against these balances which indicates that collection is either doubtful or not expected. However, taxes receivable cannot be written off without legal approval. In addition to the allowance, the paragraph following the chart also indicates that another $13.1 million of the taxes receivable is in deferred revenue indicating that this amount was not collected within 60 days of the fiscal year end and therefore cannot be recognized as revenue and included in the fund balance.

Accordingly, between the amount in the allowance of $13.1 million and the amount in deferred revenue of $13.1 million, a total of $26.2 million of the total receivable of $29.3 million has not been recognized in fund balance as of June 30, 2016. The remaining difference of $3.1 million ($29.3 million receivable less $26.2 million allowance/deferred) was collected in the first 60 days after fiscal year end and was reflected in revenue.

We believe by showing these amounts, the City has appropriately indicated that the vast majority of its tax receivable balance is not going to be reasonably collected within one year from the date of the balance sheet and that note disclosure of this fact is adequate.

The only other disclosure required of property taxes is stated in GASB Codification P70.108 which requires "details of the governmental units property tax calendar, including lien dates, levy dates, due dates and collection dates should be disclosed in the notes to the financial statements". The City has made such disclosure on page 41 of the 2016 CAFR.

Financial reporting & treatment of cash and reclassifying journal entries Page 22 & 23

We conferred with our auditors regarding the treatment of negative cash at year end and your inquiry regarding if these negative cash balances and JEs actually represent interfund advances.

See Note 20 Page 50

Within the GAAFR, it clearly states that pooled cash may be overdrawn in one fund, which would be required to be presented as an interfund payable/receivable. Attached is the page of the GAAFR since the GFOA award follows the GAAFR.

In addition, also attached is an excerpt from chapter 5, regarding the overdraft from an internal investment pool. The definition of an internal investment pool is: "Governments commonly combine the cash and investments of several funds to enhance investment opportunities, operating efficiency, and physical custody and control. Those arrangements are known as internal investment pools."

If COY were to show negative pooled cash on the CAFR, it would be a GFOA comment. Please refer to attached GFOA checklist and highlighted section where it says you must refrain from showing negative cash. This confirms that this is a reporting entry only and would not be considered an interfund advance per GML §9-A.

For clarification reclassifying journal entries are considered report only entries; they do not affect fund balance and require reversal in the following fiscal year.

Tax Certiorari Expenditures Page 25 & 26

We strongly disagree with this discussion of tax cert expense particularly that our treatment of cert expenses "results in fund balance at the fiscal year end" (p.25 paragraph 7) because that is counter to accounting guidance.

GAAP requires us to record the full bond proceeds in the year of closing. That is why we accrue cert expense in the general fund so there is no impact of the bond transaction on the general fund balance should the bond proceeds not be fully spent by the end of the fiscal year. The suggestion that we mistreat the recording of bond proceeds is a puzzling one given that we are required to record the proceeds based on GAAP, and record an accrual so that there is no overstatement of fund balance.

See Note 21 Page 50

Lastly, we felt that certain statements in the report were not observations or recommendations supported by fact, but rather unsupported opinion. Unnecessary commentary is not in line with the objective of an OSC audit as outlined in OSC's document, "Responding to an OSC Audit Report." Specifically, *"It is our goal that every audit have a positive result and that audit findings and recommendations present local officials with the opportunity to take positive action and to document their efforts to improve operations."* We believe there are 20 instances of opinions in the report. Three examples of opinions are below. If you would like the full list of opinions we would be happy to provide it to you.

See Note 2 Page 47

- page 4: "The Council and City officials have not effectively monitored the City's financial condition.
- Page 5:
    - "We also found that City officials did not ensure accounting records were accurate, supported and complete and they did not consistently apply accounting principles or adequately account for financial transactions that affected the City's operations."
- Page 6: "Finally, City Council and officials have not provided adequate oversight of the City's financial operations."

See Note 2 Page 47

See Note 7 Page 48

See Note 2 Page 47

We appreciate the opportunity to present these comments in response to your report. Thank you for your consideration of these comments when preparing the final report.

Sincerely,

John Liszewski
Commissioner

APPENDIX B

OSC COMMENTS ON THE CITY'S RESPONSE

Note 1

Prior to the exit conference, the audit team held two meetings and a phone conference with City officials and the City's independent auditor to discuss issues identified during the audit. After these meetings, City officials did not provide documentation to support the concerns commented on in their response letter. Subsequently, the audit team scheduled an exit conference with City officials which was cancelled. When attempting to reschedule the meeting, the audit team was informed that City officials did not want an exit conference with audit team. As a result, the audit team did not have the opportunity to address City officials' concerns or clarify issues in the report.

Note 2

We addressed this issue by including additional wording in the Executive Summary. Although City officials state that they rigorously engage in reporting and monitoring, the audit found significant accounting and reporting errors which show that officials have not ensured that the accounting records were accurate, supported and complete. Additionally, City officials did not: provide the Council with sufficient quarterly financial reports including a detailed budget-to-actual report or fund balance projections; establish a fund balance policy or a long-term capital plan; or perform internal audits or conduct assessments of internal controls, as required by the Charter.

Note 3

Our review of the City's adopted budgets is strictly to determine compliance with the Fiscal Agent Act (Act) and the City's bond covenants. It is not an "approval" of the City's budget. While we have determined that past budgets complied with the Act's provisions and the related bond covenants, we have also commented on issues which impacted the City's financial condition, reliance on one-time revenues, bonding for recurring expenditures, increased debt and increased exhaustion of constitutional tax limit. Furthermore, City officials have not generally implemented recommendations made by OSC during our reviews of the City's adopted budgets.

Note 4

With the exception of the School District's debt, our audit scope did not include a review of the District's finances.

Note 5

The audit team identified 17 instances where bonds were issued for purposes that were the same as bonds issued in prior years and unexpended proceeds from prior years were available to fund these purposes. City officials provided supporting documentation for the unexpended proceeds for one of these instances, which was subsequently removed as a finding from the audit report. City officials did not provide supporting documentation or explanations for the remaining 16 instances, including river outflow remediation. Our audit report also addresses other instances, such as the acquisition of equipment and library materials, which should not require a lengthy timeline to spend the proceeds as described in the City's response.

Note 6

Our report shows the City's operating results and appropriation of unused fund balance in all five years reviewed. We do not suggest that City officials intentionally overappropriated fund balance. We acknowledge that the City is restricted in budgeting new revenues. However, it would be financially prudent to use appropriated fund balance instead of bonding for recurring expenditures, as stated in the report.

Note 7

This statement is supported by various facts and examples in the report, including: unsupported and overstated components of fund balance, uncollectible receivables, reclassifying journal entries not recorded, cash balances in various City bank accounts that were not recorded or reported and inconsistent recognition of tax certiorari expenditures.

Note 8

The transfer of $4 million was made to the community development fund without expectation of repayment. Therefore, it should not have been recorded as an interfund loan. Although it may have been the City's intention to set aside the funds to cover loan defaults, the transfer was not formally approved by the Council. Even with Fiscal Agent Act restrictions, the Council could have approved the transfer with the adoption of the 2016-17 budget. The Council did not approve the transfer until the adoption of the 2017-18 budget, nearly two years after the transfer was made.

Note 9

We stand by the statement in the audit report. Although the YPS annual report does not show a cash position at year-end, as of June 30, 2016, there was $24.3 million in the YPS bank account. According to the City's bank reconciliation, after all outstanding checks cleared the bank, there was still a balance of at least $800,000 from the June 2012 transfer. After taking into account all outstanding checks, to reconcile the bank and book balances City officials reduced the bank balance by an additional $800,000 to account for the June 2012 transfer. Furthermore, in an email from a City official, it was stated that in June 2012, a transfer of $800,000 was made from the City's operating account to the YPS bank account and was not due back to the City. This transaction occurred prior to the City's takeover of YPS finances.

Note 10

These statements have no relation to the $800,000 adjusting journal entry and transfer. The $800,000 transfer is associated with two different bank accounts, not one cash concentration account.

Note 11

We agree that as Fiscal Agent, OSC reviews the City's annual budgets and capital expenditures to ensure compliance with the Fiscal Agent Act. However, this is not relevant to the audit.

Note 12

As stated in the report, the plan did not address the issue of bonding for tax certiorari payments.

Note 13

Debt issued by the dependent school district in relation to the Deficit Financing Act is still a City obligation and should be included in the calculation of the City's overall outstanding debt.

Note 14

While the City cannot determine an exact amount of tax certiorari settlements, the City could prepare estimates based on prior settlements.

Note 15

The City may have had additional tax certiorari claims. However, the supporting documentation that City officials provided during the audit included tentatively settled claims totaling $6.6 million, or $500,000 less than what was bonded.

Note 16

In fiscal years 2012-13 through 2015-16, the City appropriated nearly all of its certified unassigned general fund balance. Although the City is restricted from modifying the budget during the fiscal year, City officials could have budgeted to use fund balance to fund tax certiorari payments instead of bonding.

Note 17

Appropriated water fund balance was not used in 2013-14 or 2015-16. While we agree that it is prudent to establish a contingency, the operating surplus in 2015-16 was $1.9 million, which is greater than the amount of the budgeted contingency.

Note 18

Subsequent to our audit period, City officials developed an estimate for the water fund transfer that is not based on City employees' time associated with the water fund or expenditures for water fund operations. For example, the City's 2018 calculation allocated 5.7 percent of the City Council's salaries, materials and supplies, and contractual services to the water fund. City officials should perform a detailed analysis to ensure that cost allocations charged to the water fund are related to time spent on operating the water system.

Note 19

While the information regarding the overall taxes receivable balances was disclosed in the notes to the financial statement, it did not disclose the age of the receivables, some of which dated back to the 1980s.

Note 20

Although these entries do not affect fund balance, they should be recorded in the City's accounting records to ensure that the underlying accounting records match the financial statements. Financial statements should be prepared in conformance with generally accepted accounting principles and presented fairly with full disclosure of the funds and activities of the governmental unit. Therefore, reclassifying journal entries should be recorded in the City's accounting records.

Note 21

The City recognized the full amount of the bond proceeds for tax certiorari payments as an expenditure even though it was not fully spent. Meanwhile, the City's records did not show the unused proceeds at year-end as fund balance.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objectives and obtain valid evidence, we performed the following procedures:

- We interviewed Council and officials to gain an understanding of the City's financial operations and financial oversight.

- We reviewed a sample of 10 capital project estimates for 2015-16 to determine if they were adequate and in accordance with the City's Code.

- We reviewed the official statements of each bond issued from fiscal years 2011-12 through 2015-16 to determine the purpose/authorized use of the proceeds.

- We compared all bond issuances to determine if the bonds were issued for a similar purpose.

- We reviewed capital project status reports for fiscal years 2011-12 through 2015-16 to determine the amount of proceeds authorized, expended and unexpended at each year-end. We analyzed for trends to determine if bonds were issued (over last five completed fiscal years) for the same purpose as prior bonds with unexpended proceeds.

- We reviewed 2011-12 through 2015-16 adopted budgets to determine the City's annual debt service obligation and calculated the growth over the five-year period.

- We reviewed debt to maturity schedules to determine the total amount of bond principal indebtedness at year-end for 2011-12 through 2015-16 and calculated the growth over the five-year period.

- We reviewed the tax levy percentage letters sent to the City for fiscal years 2011-12 through 2015-16 to determine the annual percentage of real property taxes intercepted by OSC used to meet the City's annual debt service obligations. We calculated the growth over the five-year period.

- We reviewed the City's comprehensive annual financial reports for fiscal years 2011-12 through 2015-16 to determine the fund balance reported for the general, water, sewer and library funds. We reviewed the fund balances at year-end to identify trends and fund balance deficits.

- We reviewed and analyzed the City's 2015-16 budget-to-actual report to determine if the City had any significant unbudgeted revenues or expenditures.

- We reviewed the City's 2015-16 budget-to-actual report to determine if budget modifications are made when necessary and in a timely manner.

- We reviewed the City's comprehensive annual financial reports for fiscal years 2011-12 through 2015-16 to determine the actual results of operations reported for the general, water, sewer and library funds. We compared the operating surpluses or deficits to the amount of appropriated fund balance in the adopted budgets to determine if the City uses the appropriated fund balance.

- We reviewed OSC budget reviews, adopted budgets, budget-to-actual reports for 2014-15 and 2015-16 to identify any one-time revenues.

- We reviewed the 2016-17 adopted budget to determine the extent to which the City has exhausted its constitutional tax limit.

- We reviewed the City's general fund balance composition for the 2014-15 and 2015-2016 fiscal years to determine if the designations were proper, supported and in accordance with GASB 54.

- We reviewed year-end accruals for fiscal years 2014-15 and 2015-16 to determine if they were supported, accurate and reasonable.

- We reviewed bank listings and other relevant bank information and compared it to the City's adjusted trial balance for June 30, 2015 and June 30, 2016 to determine if all City bank accounts are recorded in the accounting records.

- We judgmentally selected a sample of five balance sheet accounts for each of the 2014-15 and 2015-16 fiscal years to determine if they were supported and recorded properly.

- We judgmentally selected a sample of five adjusting journal entries for each of the 2014-15 and 2015-16 fiscal years to determine if they were recorded, supported and proper.

- We judgmentally selected a sample of five reclassifying journal entries for each of the 2014-15 and 2015-16 fiscal years to determine if they were recorded, supported and proper.

- We made inquiries of City officials to determine if the City had a fund balance policy and procedures for appropriating fund balance.

- We made inquiries of City officials to determine if the City had a multiyear financial plan and reviewed the plan to determine if it addressed the City's financial problems.

- We made inquiries of City officials to determine if the City had a multiyear capital plan.

- We reviewed the Charter and made inquiries of City officials to determine if the City had an internal audit function.

Except for the independence impairment discussed in the next paragraph, we conducted this audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Pursuant to the Act, the Office of the State Comptroller (OSC) maintains City assets in a special debt service fund bank account, invests those funds on behalf of and at the direction of the City, and makes payments on behalf of the City for any debt service payments due. We believe that independence concerns are mitigated as City officials, oversee the required services performed by OSC under the Act and evaluate the results of the services performed. However, GAGAS explicitly states that these services impair an external auditor's independence with respect to an audited entity.[17]

[17] *Government Auditing Standards*, 2011 Revision, paragraph 3.58

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
http://www.osc.state.ny.us/localgov/

APPENDIX E

OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE
H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware, Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE
Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE
Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin, Fulton, Hamilton, Montgomery, Rensselaer, Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE
Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE
Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange, Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE
Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE
Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS
Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313