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February 2023

Michael Ferrara, Town Supervisor
Members of the Town Board
Town of Seneca Falls
130 Ovid Street
Seneca Falls, NY 13148

Report Number: 2018M-266-F

Dear Supervisor Ferrara and Members of the Town Board:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage town officials to reduce costs, improve service delivery and to account for and protect their town's assets. In accordance with these objectives, we conducted an audit of the Town of Seneca Falls (Town) to assess the Town's financial operations and management. As a result of our audit, we issued a report, dated April 5, 2019, identifying certain conditions and opportunities for the Board's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Town beginning in September 2022 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Town personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Town has made very limited progress implementing corrective action. When we met with the Town Supervisor (Supervisor), he stated that a prior Board member who was on the Board for the first two years of his term informed him that all recommendations related to the audit had been addressed. However, no verification of corrective action was done by the Supervisor. Therefore, of the eight audit recommendations, one recommendation was fully implemented, and seven recommendations were not implemented.

The Town appointed a Town Manager in August 2022 to oversee the daily operations of the Town. Additionally, since our prior audit the Board has turned over completely, and no members previously on the Board at that time remain on the Board currently.

Recommendation 1 – Budgeting

The Board should develop and adopt budgets that include realistic estimates for revenues and expenditures, and which appropriate a reasonable and necessary amount of fund balance.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board did not develop and adopt budgets that included realistic estimates for revenues and expenditures. The Board’s budgets were not based on accurate or current data and historical trends. The Town has consistently underestimated revenues and appropriations for the past three years (2019-2021) for the general fund, and consistently underestimated revenues and overestimated appropriations in the water and sewer funds. The Town’s budgeting estimates were not realistic, resulting in operating surpluses totaling \$7.3 million in these funds for the three-year period reviewed. Additionally, the Board appropriated general and sewer fund balance totaling \$744,674 for 2019-2021 that went unused. Total general, water and sewer unrestricted fund balance increased during this period by \$1.8 million (19 percent). The Supervisor could not provide an explanation as to why the Board did not adopt more realistic budgets during this period.

Recommendation 2 – Fund Balance Policy

The Board should establish written policies governing the amount of unexpended surplus funds that the Town should reasonably maintain.

Status of Corrective Action: Not Implemented

Observations/Findings: The Supervisor stated that because the current Board believed that all prior audit findings had been addressed, the Board did not adopt written policies governing the amount of unexpended surplus funds to be maintained. Therefore, total unrestricted fund balance in the general, water and sewer funds totaled \$11.3 million. This amount represents 103 percent of 2021 expenditures for the funds combined (Figure 1).

Figure 1: 2021 Unrestricted Fund Balance (FB)			
Fund	2021 Unrestricted FB	2021 Expenditures	Percentage of FB to Expenditures
General	\$5,541,118	\$6,851,708	81%
Water	\$2,386,051	\$2,286,305	104%
Sewer	\$3,420,508	\$1,830,663	187%
Total	\$11,347,677	\$10,968,676	103%

Recommendation 3 – Budget Transfers

The Board should ensure that budget transfers are made in a timely manner so that budget line items are not over expended. Transfers should also be presented to the Board for approval at the next Board meeting.

Status of Corrective Action: Not Implemented

Observations/Findings: We found that the Board reviewed and approved budget transfers throughout the year; however, the Board did not ensure that the transfers were made timely. The principal account clerk would compile approved transfers until year-end when all were made simultaneously. The Board did not receive or request financial reports throughout the year to confirm that the budget transfers were made after approval. We reviewed the year-end expenditure report from the Town's financial system prior to budget transfers and closing entries and found 50 accounts exceeded budgeted appropriations by \$381,376 because transfers were not timely recorded in the financial software and the Board was not provided monthly budget status reports. Therefore, the Board had no assurance that sufficient appropriations were available when approving claims.

Recommendation 4 – Multiyear Financial and Capital Plans

The Board should develop and adopt comprehensive multiyear financial and capital plans for a three- to five-year period that assess long-term needs and alternative approaches to financial issues.

Status of Corrective Action: Not Implemented

Observations/Findings: The Supervisor explained that because the current Board believed that all of the prior audit's findings had been addressed, the Board did not develop comprehensive written multiyear financial and capital plans setting long-term objectives and goals. However, the Supervisor explained that he is working with the new Town Manager to create a multiyear financial plan, which projects revenues and expenditures for several years into the future, and present this to the Board for review and approval.

Recommendation 5 – Reserve Policy

The Board should adopt a formal reserve plan that clearly communicates to taxpayers the purpose and intent for establishing each reserve fund, the manner in which the Board will fund and maintain each reserve fund, and the optimal or targeted funding levels and conditions under which each fund's assets will be used or replenished.

Status of Corrective Action: Not Implemented

Observations/Findings: While the Board adopted resolutions establishing reserve funds which detailed the purpose of each reserve and funding levels for capital reserves, the Board did not adopt a formal reserve plan. Therefore, the Town is maintaining \$10.2 million in reserves with no clear guidance on the use or replenishment of these funds or the optimal/targeted funding levels for non-capital reserves. Town officials, who were not in these positions during our prior audit, were unaware of the previous audit's recommendation to adopt a formal reserve plan to assist the Board in their decision making.

Recommendation 6 – Contracts and Agreements

The Board should review all contracts and agreements periodically to ensure they are in place where necessary and that terms are still relevant and updated.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board did take measures to ensure that several contracts were updated and established a list of Town contracts with their expiration dates. However, this list has not been updated since it was created in 2020 and there was no evidence of an annual review performed by pertinent committees as noted in the Town’s corrective action plan. However, to help ensure that all contracts are monitored and maintained in the future, the Supervisor assigned a contract committee on January 3, 2023. Additionally, the Supervisor stated that because the Board believed all prior audit recommendations had been implemented, the Board had not entered into written agreements for services to be performed by several area organizations. Therefore, cash payments to these organizations continue to constitute unauthorized donations.

Recommendation 7 – Tax Implications

The Board should review the tax implications of providing free housing as compensation to an employee.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board reviewed the tax implications of providing employee housing and reported the value of the employee’s accommodations as miscellaneous income for income tax purposes and subsequently began charging him rent.

Recommendation 8 – Contract Monitoring

The Board should establish procedures for contract monitoring to assure that all services are provided to the Town as documented, and parties generally comply with contract terms.

Status of Corrective Action: Not Implemented

Observations/Findings: The Supervisor stated that the current Board was not familiar with the recommendation to establish procedures for contract monitoring and they were of the understanding that all recommendations in the prior audit were previously addressed. Therefore, the Board did not establish procedures for contract monitoring. While the Board did review and update contracts in 2020, the Board did not establish procedures to ensure that all contract services provided to the Town are reviewed and documented. However, as of January 3, 2023, the Supervisor has assigned a contract committee whose duties will include monitoring contracts to ensure services are provided in accordance with the contract.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Town officials to implement the seven recommendations that were not implemented.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Edward V. Grant, Jr., Chief of Municipal Audits of our Rochester Regional Office at (585) 454-2460.

Sincerely,

Elliott Auerbach
Deputy Comptroller