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July 2015

Robert LaColla, Town Supervisor
Members of the Town Board
Town of Fishkill
807 Route 52
Fishkill, NY 12524

Report Number: 2013M-188-F

Dear Mr. LaColla 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 account for and protect their town's assets. In accordance with these objectives, we conducted an audit of the Town of Fishkill (Town) to assess the Town's financial operations. As a result of our audit, we issued a report in September 2013 identifying certain conditions and opportunities for Town management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Town on March 25, 2015 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 some progress implementing corrective action. Of the five audit recommendations, two recommendations were fully implemented, one recommendation was partially implemented and two recommendations were not implemented.

Recommendation 1 – Reduce Deficits and Plan for Accumulating Fund Balance

The Board should work to reduce the deficits in all the major funds and develop a realistic plan to accumulate fund balance so that the Town is prepared for unexpected expenses or revenue shortfalls.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Town developed a plan to reduce the deficits in all major funds. We reviewed the Town's financial data for 2014 and found that the town-wide general, town-wide

highway and town-outside-village highway funds no longer have deficit fund balances. The town-outside-village general fund deficit is planned to be eliminated by the end of 2016.

Recommendation 2 – Reasonable Budgets and Board Monitoring

The Board should adopt structurally balanced budgets that are based on reasonable revenue and expenditure estimates. The Board and Town officials should monitor operations throughout the year and make the necessary adjustments to ensure that operating deficits do not occur.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Board adopted a structurally balanced budget in 2014 with operating expenses fully funded by revenues.

The Town Comptroller posts year-to-date budget-to-actual reports monthly to the Town’s website for the Board’s review. The Board also receives recommendations for budget adjustments from the Town Comptroller, and the Board approves the adjustments on a regular basis.

Recommendation 3 – Interfund Advances

Town officials should review all interfund advances and determine the actual amount owed each fund. The Board should ensure that all interfund borrowings are paid in a timely manner.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed the Town’s schedule of interfund advances and found a balance of approximately \$7 million in advances for the year ending 2014, indicating the advances were not properly repaid by the end of the fiscal year in which they were made. Additionally, in the 2014 and 2015 interfund advance schedule, many accounts had negative balances due to accounting errors. For example, the “Due From” accounts in 2014 included negative balances totaling \$740,000, indicating that interfund advances were not properly recorded. Therefore, Town officials cannot know what is actually owed between multiple funds.

Further, the Town’s corrective action plan submitted in response to our 2013 audit¹ indicated that Town policy calls for interfund advances to be authorized and approved by the Board, properly recorded and repaid by the end of the fiscal year in which the advance was made. Our follow-up review found that the Board has not established such a policy.

Recommendation 4 – Sewer Extension and Affordable Housing Trust Funds

The Board should determine how the \$758,000 of funds intended for the sewer extension and the \$23,750 balance of funds intended for use in the affordable housing trust fund were actually expended. The funds should be replaced and used for their intended purpose.

Status of Corrective Action: Not Implemented

¹ Town of Fishkill: Fiscal Stress (Report No. 2013M-188)

Observations/Findings: The Town recognized and reported the \$758,000 as restricted fund balance in the 2012 and 2013 independent audit report; however, it was not reported as restricted fund balance on the Town's 2013 annual update document submitted to the Office of the State Comptroller.

The \$23,750 was not correctly posted to the housing trust fund. The Town's independent auditors, during the 2013 audit, suggested an adjusting journal entry be made as a receivable from the town-outside-village fund (where the amount was originally posted) and credited into unreserved fund balance. While the Comptroller indicated that he made the entry, he has not provided information to support this.

Recommendation 5 – Oversight of Gifts, Donations and Grants

The Board should oversee the use of gifts, donations and grants to ensure the funds are used for their intended purpose.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed Board minutes and found two resolutions to accept donations and gifts, one for \$475 designated for a Town celebration and the other designated for the Senior Center. The second resolution did not include the amount of the Senior Center donation but was approved by the Board. We traced the \$475 to the trial balance and found that it was recorded in the correct Gifts and Donations revenue account designated for the celebration. Due to an accounting error, the Senior Center donation, which amounted to \$75, was also included in the Town celebration account instead of in a separate Senior Center account.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Town officials to continue with their efforts to implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Tenneh Blamah, Chief Examiner of the Newburgh Regional Office, at (845) 567-0858.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller