

VILLAGE OF BROCKPORT
MONROE COUNTY, NEW YORK

COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT

For Year Ended May 31, 2012

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

January 31, 2013

To the Village Board
Village of Brockport
Monroe County, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Brockport, Monroe County, New York as of and for the year ended May 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Brockport, Monroe County, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Prior Year Deficiencies Pending Corrective Action:

1. Lack of Internal Accounting Controls – Segregation of Duties – Treasurer Responsibilities –

The Treasurer was responsible for monthly bank reconciliation preparation, maintenance of the general ledger, payroll data entry, and preparation of all journal entries.

(Prior Year Deficiencies Pending Corrective Action) (Continued)

2. Payroll –

- a. Employees are not interviewed upon leaving employment at the Village.
- b. The taxable benefit for the personal use of Village owned vehicles by employees was not being reported as taxable income.
- c. We noted a few individuals have not completed Form I-9 supported by two forms of identification.

3. Computer Weaknesses –

- a. An additional password to process a check run is not required on the Village's computer system. In a small entity such as a Village, an additional password for a check run adds security to an internal control environment lacking the proper checks and balances.
- b. The computer system allows for backdating of accounting entries.

4. Journal Entries –

Journal entries were not routinely reviewed by someone other than the preparer.

5. Disbursements –

Our examination of disbursements revealed the following:

- a. Through our interview process, we noted the Village pays the entire utility bill for a building that they do not own and only partially use.
- b. Through our interview process and examination of claims, we noted an improvement regarding the use of requisitions prior to the purchase of goods and services, however, we did note a few instances in which they were not used.

6. General Accountability –

- a. The Village did not have a documented disaster recovery plan in place regarding financial data. In addition, their plan has not been tested.
- b. We noted there is still a lack of cross-training among finance department staff. However, the Village is in the process of developing these procedures.

7. Village Policies –

The Village Board does not review the investment policy on an annual basis.

Other Items:

The following items are not considered to be deficiencies in internal control, however, we would like to communicate them to you as follows:

Auditing Standards –

Auditing standards require that management document in writing their understanding of the internal accounting controls that are in place in the finance department.

The finance department has started to develop job descriptions and operating procedures. However, due to the high rate of turnover in recent years, we suggest management begin the process to document the procedures performed for the various finance department functions (payroll, cash receipts, cash disbursements, bank reconciliations, and monthly closing).

General Accountability –

The Village updated the procurement policy for the new bidding thresholds in accordance with General Municipal Law; however, the procedures to be followed for purchases between the old and new bidding thresholds were not addressed.

Prior Year Recommendations:

We are pleased to report the following prior year recommendations have been implemented to our satisfaction:

1. There was proper supporting documentation for items on the monthly bank reconciliations. In addition, monthly bank reconciliations were reviewed by someone independent of the reconciliation process.
2. Multiple adjusting journal entries were not required in the General Fund, Water Fund, Capital Fund, General Long-Term Debt Account Group and General Fixed Assets Account Group to properly reflect year end account balances.
3. All manual checks prepared throughout the year appeared to be properly recorded on the financial system.
4. When goods are received they are checked by an individual to verify the entire shipment was received.
5. We were able to reconcile the total salary expenses to the total amount reported on the Federal Form 941 quarterly reports.

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This communication is intended solely for the information and use of management, the Village Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation to all Village office staff for the courtesies extended to us during the course of our examination.



January 31, 2013