

TOWN OF RIVERHEAD

SINGLE AUDIT REPORTS

Year Ended December 31, 2014

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Expenditures of Federal Awards.....	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	5-7
Schedule of Findings and Questioned Costs.....	8-12
Summary Schedule of Prior Year Audit Findings.....	13-18

TOWN OF RIVERHEAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2014

<u>Federal Agency/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Pass-through Programs From:			
Suffolk County, New York, Office of Community Development			
		B10-UC-36-0102	
		B12-UC-36-0102	
		B13-UC-36-0102	
		B14-UC-36-0102	
Community Development Block Grant/Entitlement Grant	14.218		\$ 168,142
HOME Investment Partnerships Program	14.239	N/A	<u>45,000</u>
Total U.S. Department of Housing and Urban Development			<u>213,142</u>
U.S. Department of Justice:			
Direct Program:			
Edward Byrne Memorial Formula Grant Program	16.738		341
Pass-through Program From:			
New York State Office of the Attorney General			
Equitable Sharing Program	16.922		7,930
Suffolk County, New York, Suffolk County Police Department			
Equitable Sharing Program	16.922		<u>10,150</u>
Total U.S. Department of Justice			<u>18,421</u>
U.S. Department of Transportation:			
Pass-through Program From:			
New York State Governor's Traffic Safety Committee			
State and Community Highway Safety	20.600	00064-052	<u>15,221</u>
Total U.S. Department of Transportation			<u>15,221</u>
U.S. Department of Health and Human Services:			
<i>Aging Cluster:</i>			
Pass-through Programs From:			
Suffolk County, New York, Office of Aging			
Special Programs for the Aging- Title III, Part B-			
Grants for Supportive Services and Senior Centers			
	93.044	SCS10000006147	20,242
Special Programs for the Aging- Title III, Part C			
Nutrition Services			
	93.045	SCS10000005341/ SCS10000006413	69,294
Nutrition Services Incentive Program			
	93.053	SCS10000005341/ SCS10000006413	<u>24,717</u>
Total U.S. Department of Health and Human Services			<u>114,253</u>
U.S. Department of Homeland Security:			
Pass-through Programs From:			
New York State Division of Homeland Security and Emergency Services			
Disaster Grants - Public Assistance	97.036	4085 DR NY	212,120
Suffolk County, New York, Sherriff's Office			
Homeland Security Grant Program	97.067	SC-00000006072	<u>3,966</u>
Total U.S. Department of Homeland Security			<u>216,086</u>
Total Expenditures of Federal Awards			<u>\$ 577,123</u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF RIVERHEAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2014

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Town of Riverhead, New York under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Riverhead, New York, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Riverhead, New York.

Note B – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) Federal grants received by the Town are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agencies could make claims for reimbursement, which would become a liability of the Town.

Note C – Disaster Grants - Public Assistance

The federal expenditures for U.S. Department of Homeland Security and Federal Emergency Management Agency ("FEMA"), Disaster Grants - Public Assistance CFDA# 97.036 include expenditures related to Hurricane Sandy (4085 DR NY). This federal disaster declaration enables the reimbursement of certain costs incurred related to debris removal and approved permanent work. Below is a summary of the program expenditures related to Hurricane Sandy reported on the Schedule of Expenditures of Federal Awards for which there is an approved project worksheet as of December 31, 2014:

<u>Project Worksheet Number</u>	<u>Reportable Federal Expenditures</u>	<u>Federal Expenditures Incurred During the Year Ended:</u>		
		<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
PW1152 (R1) / 6198405	\$ 116,120		\$ 116,120	
PW2294 / 6198403	24,319		24,319	
PW3823 / 6198411	18,578		18,578	
PW3826 / 6198406	52,452		24,373	\$ 28,079
PW3583 / 6198418	651		651	
	<u>\$ 212,120</u>	<u>\$ -0-</u>	<u>\$ 184,041</u>	<u>\$ 28,079</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Supervisor and Town Board
Town of Riverhead
Riverhead, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Riverhead, New York as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Riverhead, New York's basic financial statements and have issued our report thereon dated September 24, 2015.

Our report includes a reference to another auditor who audited the financial statements of the Town of Riverhead Industrial Development Agency and the Riverhead IDA Economic Development Corporation, the aggregate discretely presented component units. These reports do not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Riverhead, New York's internal control over financial reporting (internal control) to determine the 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 Town of Riverhead, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Riverhead, New York's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

PERSONAL SERVICE. TRUSTED ADVICE. 

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Internal Control Over Financial Reporting (continued)

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Riverhead, New York's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-002 and 2014-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Riverhead, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Riverhead, New York in a separate letter dated September 24, 2015.

The Town of Riverhead, New York's Response to Findings

The Town of Riverhead, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Riverhead, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Riverhead, New York's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Riverhead, New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albert Vignio, Zach & Conroy P.C.

Hauppauge, New York
September 24, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Supervisor and Town Board
Town of Riverhead
Riverhead, New York

Report on Compliance for Each Major Federal Program

We have audited the Town of Riverhead, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Riverhead, New York's major federal programs for the year ended December 31, 2014. The Town of Riverhead, New York's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Riverhead, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Riverhead, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Riverhead, New York's compliance.

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Opinion on Each Major Federal Program

In our opinion the Town of Riverhead, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-004. Our opinion on each major federal program is not modified with respect to this matter.

The Town of Riverhead, New York's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Riverhead, New York's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Town of Riverhead, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Riverhead, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Riverhead, New York's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-004 that we considered to be a significant deficiency.

Report on Internal Control Over Compliance (continued)

The Town of Riverhead, New York's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Riverhead, New York's response was not subjected to the auditing procedure applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Riverhead, New York's basic financial statements. We issued our report thereon dated September 24, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Riverhead, New York's basic financial statements. We did not audit the financial statements of the Town of Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation, which represents 100% of the assets, net position, and revenues of the aggregate discretely presented component units. These financial statements were audited by another auditor whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for these discretely presented component units, is based solely on the report of the other auditor. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Albert Vignier, Esq. & Company P.C.

Hauppauge, New York
September 24, 2015

TOWN OF RIVERHEAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2014

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Town of Riverhead, New York.
2. There are three control deficiencies relating to the audit of the financial statements reported in the "INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*". One of these deficiencies is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Town of Riverhead, New York which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There was one control deficiency relating to the audit of major federal award programs reported in the "INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133." The deficiency reported is not considered a material weakness.
5. The auditors' report on compliance for the major federal award programs for the Town of Riverhead, New York expresses an unmodified opinion on the major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs are:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
97.036	Disaster Grants – Public Assistance

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Riverhead, New York was not determined to be a low-risk auditee.

TOWN OF RIVERHEAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2014

FINDINGS – FINANCIAL STATEMENTS AUDIT

2014-001 SOFTWARE (Repeat Finding) - Material Weakness

Criteria

Computer software is the backbone of the Town's financial reporting as well as the control over capital assets. Technology is changing at a rapid pace and the current system cannot be brought up to that level or keep pace with the changing environment.

Condition

During the audit, we noted the following conditions relating to Information Technology and the computer software:

- a. The Town's software system is 30 years old and no longer supported by the vendor that developed it. Some departments have migrated off the mainframe to Microsoft Windows for operational purposes.
- b. The Town relies on third party consultants to supplement the maintenance of the mainframe system, to make modifications to the software system when required and to supplement the support and maintenance of the Windows applications.
- c. Currently there is no disaster recovery system or offsite disaster recovery location.

Effect

There is a potential for the Town's books and records to be compromised when using software that is no longer supported by the vendor and there is no disaster recovery in place. In addition, the Town's operations may not be running efficiently with software that is over 30 years old and dependent on the reliance of third party consultants.

Recommendation

We are aware that the Accounting Department is actively investigating different software products to assess the best fit for the Town. We recommend the Town make a selection for the software and have it approved by the Town Board with a target date for implementation and an identified funding source.

In prior reports, we recommended that the Town consider more staffing in the Information Technology Department, however, once the Town implements the new software system, the need for outside consultants will be minimal or may be replaced by a third party maintenance contract.

We recommend that a disaster recovery plan including offsite storage and periodic tests (restore) be adopted as this is essential to preserve the integrity of the data.

Management's Response

- a. The Town has upgraded its Information Technologies infrastructure and is in the process of moving its users to a virtual environment. The Town had started the process of purchasing new software but the process is on hold due to budgeting constraints.

TOWN OF RIVERHEAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2014

FINDINGS – FINANCIAL STATEMENTS AUDIT (continued)

2014-001 SOFTWARE (continued)

Management's Response (continued)

- b. Mainframe programming is a specialized knowledge and it is more cost effective to utilize a consultant on an as need basis. Hardware support is typically part of the purchase of the new equipment.
- c. The Town has a backup procedure but currently has no formal disaster recovery plan. The Town expects the new software provide disaster recovery.

2014-002 INTERFUND RECEIVABLES AND PAYABLES (Repeat Finding) - Significant Deficiency

Criteria

General Municipal Law provides the criteria under which interfund cash advances can be made and must be repaid. Repayment must be made as soon as monies are available, but no later than the close of the year in which the advance was made. Repayment of advances between funds supported by different tax bases must include an amount reasonably equivalent to the amount that would have been earned on the investment of the advances.

Interfund receivables and payables are used to record amounts that represent short-term timing differences that are reduced when funds become available.

Condition

During our audit we noted that the Town is not liquidating the interfund receivables and payables within the required time periods set forth in General Municipal Law. In addition, the Town does not record interest income/expense between the funds as required when there is lending across tax jurisdictions.

Effect

There is a potential for cash flow shortfalls and the understatement of interest income in the lending tax jurisdiction.

Recommendation

During our audit, we noted the Town significantly reduced the interfund balances outstanding at year end, particularly in the Capital Projects Fund. The balances outstanding at December 31, 2014 are mainly a result of borrowings for various capital projects, some of which are waiting for financing sources such as bond or grant proceeds. We recommend the Town continue to reduce the interfund balances as soon as funds become available within the guidance provided by General Municipal Law.

Management's Response

The Town is tracking all current interfund loans and is paying down existing loans as cash becomes available in the borrowing funds.

TOWN OF RIVERHEAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2014

FINDINGS – FINANCIAL STATEMENTS AUDIT (continued)

2014-003 FUND BALANCE POLICY (Repeat Finding) - Significant Deficiency

Criteria

The Town's adopted fund balance policy states that the Town Board will "make all reasonable efforts to maintain unrestricted fund balance, including reserves, in the General Fund at the end of each fiscal year equal to no less than 15% of its total operating budget. If an emergency or a need were to occur that necessitated the appropriation of funds that would result in reducing the projected fund balance in the General Fund below 15% of operating expenditures, a resolution of the Town Board should be adopted to approve such appropriation."

Condition

We noted that total expenditures and transfers out for the Town's General Fund for the year ended December 31, 2014, were \$46,720,197 of which 15% would be \$7,008,030. The General Fund's unrestricted fund balance was \$1,301,745 and therefore the Town did not meet the minimum fund balance requirement. We are not aware of any Board Resolutions to approve appropriations in excess of the 15% fund balance minimum.

Effect

The Town is not in compliance with the Board adopted fund balance policy.

Recommendation

We recommend the Town review the Board approved fund balance policy and implement procedures to monitor the unrestricted fund balance as percentage of the operating budget to ensure compliance with the policy. Any additional appropriations, in excess of the 15% of operating budget, must be approved through a Board Resolution.

Management's Response

The Town's 2015 budget is balanced and does not rely on fund balance. The 2016 budget, although not final is not expected to rely on fund balance. The Town expects to start leasing and selling property based on the subdivision at EPCAL to add significant revenues and increase the fund balance. The Town is nearing the end of subdividing EPCAL and hired Cushman & Wakefield as its exclusive broker to market more than 600 acres valued at approximately \$100,000,000. We are expecting offers to be presented to the Town within the next month.

TOWN OF RIVERHEAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2014

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2014-004 REPORTING (Repeat Finding) - Significant Deficiency

Federal Program/Cluster

Disaster Grants - Public Assistance CFDA Number 97.036

Criteria

In accordance with the provision listed in the Public Assistance Program Handbook of Policies and Guidelines for Applicants related to Hurricane Sandy, within thirty days of completion of all work associated with a project or a defined Blue Book date, the grantee is required to notify New York State Division of Homeland Security and Emergency Services of the project completion using the FEMA Project Listing worksheet (P.4 certification) included in the Project Application Supplement.

Condition

During our audit, we noted one instance (out of the five project worksheets tested) where the completion and submission of the P.4 Certification to FEMA was not within the respective 30 day required time period.

Effect

The Town is not in compliance with the reporting requirements of the Handbooks mentioned above and the grant agreement.

Recommendation

We recommend that the Town implement internal control procedures to ensure proper documentation and maintenance of records to support that reporting requirements are met in accordance with the terms of the grant.

Management's Response

The Town recognizes this deficiency and has implemented internal controls to avoid this from happening in the future. The Town is in the process of creating a Grant Policy for approval by the Town Board.

TOWN OF RIVERHEAD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended December 31, 2014

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

**2013-05 TIMELY REPORTING OF PERIOD OF PERFORMANCE EXTENSIONS (Repeat Finding)
- Significant Deficiency**

Federal Program/Cluster

Hazard Mitigation Grant- CFDA Number 97.039

Criteria

Per the letter of approval of funding from the US Department of Homeland Security, dated October 4, 2011, under the conditions of approval, the Town was required to complete phase 1 of the Hazard Mitigation Grant Program (acquisition and demolition of twelve homes) by June 30, 2012. It also stated that all potential asbestos abatement, environmental compliance, demolition, and site restoration for the acquired homes must be completed within 90 days of each property closing.

If the above completion dates are not expected to be met, the subgrantee (the Town) must submit a formal written request to the Regional Administrator (New York State Division of Homeland Security and Emergency Services) requesting a period of performance extension no later than 60 days prior to the expiration of the period of performance (i.e. May 2, 2012) and must include a justification for the extension.

Condition

We noted that the period of performance extensions were not requested in the timeframe that was prescribed in the letter of approval from the US Department of Homeland Security. The first period of performance extension for 2013 was due December 3, 2012 but was not filed until January 30, 2013. The second extension was due January 31, 2013, but was not filed until April 2, 2013.

In addition, Phase 1 of this grant was brought to completion on June 21, 2013, as indicated on the Quarterly Progress Report for the period ending June 30, 2013; however, the Town's last extension filed covered the period of performance through May 31, 2013. There was no extension filed for the period of June 1 through June 21, 2013.

Effect

The Town is not meeting the requirements as stated in the grant agreements.

Recommendation

We recommend that the Town prepare and file period of performance extensions in a time frame that meets the requirements of the grant agreement.

Current Status

This project was completed in the prior year and therefore this compliance requirement was not applicable for the year ended December 31, 2014.

TOWN OF RIVERHEAD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended December 31, 2014

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT (continued)**

**2013-06 ALLOWABLE COSTS / COST PRINCIPLES - ADMINISTRATIVE COSTS- Material
Weakness**

Federal Program/Cluster

Hazard Mitigation Grant- CFDA Number 97.039

Criteria

Per the Hazard Mitigation Grant Program agreement between the Town of Riverhead and the New York State Office of Emergency Management, Appendix B "Mitigation Programs Acquisition Project Expenditure Plan," the total project costs allocated to project management was \$13,900, of which \$10,425 was reimbursable under this grant. Under the "Conditions of Agreement," clause G, any proposed modifications to the contract which results in a change of greater than 10 percent to any budget category must be submitted to the New York State Office of the State Comptroller.

Payroll costs that are charged to a grant and submitted for reimbursement should be approved by a member of the Town's management and be certified that the time requested for reimbursement was in fact spent on the grant.

Conditions

During our audit, we noted the Town requested reimbursement for \$101,750, 75 percent of the administrative/project management costs incurred by the Town during the years ending December 31, 2013, 2012 and 2011. These costs exceeded the amount provided for the in budget (Appendix B) by \$91,325. The increase of costs for this budget line exceed 10 percent, however as of the date of this report, there was no approval for the additional costs by the New York State Office of the State Comptroller.

The administrative costs were supported by an excel spreadsheet that showed the dates and hours spent on this program. This spreadsheet was not reviewed by a second member of the Town's management. In addition, the timesheets supporting the hours worked are not approved by another member of the Town's management.

Effect

The Town requested reimbursement in excess of allowable costs per the grant agreement and the required approval to request reimbursement for the additional costs was not obtained. There are no internal controls over the approval of administrative costs incurred by a Town employee related to a grant program.

Questioned Cost

\$91,325

TOWN OF RIVERHEAD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended December 31, 2014

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT** (continued)

**2013-06 ALLOWABLE COSTS / COST PRINCIPLES - ADMINISTRATIVE COSTS - Material
Weakness** (continued)

Recommendation

We recognize that once the Town was made aware of the above condition, the administrator of this grant contacted the New York State Office of Emergency Management to work on obtaining the proper approvals. However as of the date of this report, proper approval has not been obtained.

We recommend that the Town implement procedures to ensure that all costs submitted for reimbursement for grant programs, are allowable per the final signed grant agreement. If the Town anticipates that additional costs will be incurred, they must contact the granting agency to ensure proper approval is in place prior to incurring the costs.

The Town should also implement procedures to ensure that all employee payroll costs that are charged to a grant be certified and approved by a second member of the Town's management or the Supervisor's office.

Current Status

This project was completed in the prior year and therefore this compliance requirement was not applicable for the year ended December 31, 2014. The Town did obtain approval for the questioned cost mentioned above and received the funding during 2015.

**2013-07 ALLOWABLE COSTS / COST PRINCIPLES - FORCE ACCOUNT LABOR AND FORCE
ACCOUNT EQUIPMENT - Material Weakness**

Federal Program/Cluster

Disaster Grants- Public Assistance CFDA Number 97.036

Criteria

OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments ("Circular A-87") establishes principles and standards for determining allowable direct and indirect costs for Federal awards. With each presidentially declared disaster in New York State, the New York State Office of Emergency Management publishes a Handbook of Policies and Guidelines for Applicants (the "Handbook") for each public assistance program. Certain key requirements are outlined in these documents as follows:

- Force account labor and equipment record forms should be signed and certified that the information was transcribed from records and that the records are available for audit.
- Reimbursement of an employee's regular and overtime pay must be based on actual amounts paid and approved (hours worked and pay rate).
- Reimbursement of equipment usage must be based on rates indicated on the FEMA Schedule of Equipment Rates as documented in the Handbook.

TOWN OF RIVERHEAD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended December 31, 2014

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT** (continued)

**2013-07 ALLOWABLE COSTS / COST PRINCIPLES - FORCE ACCOUNT LABOR AND FORCE
ACCOUNT EQUIPMENT - Material Weakness** (continued)

Conditions

Upon completing the procedures for the disaster grant- public assistance we noted the following:

- a) The project worksheets were prepared by a New York State Office of Emergency Management (“NYS OEM”) representative, based on the supporting documentation provided by the Town. There were many errors on the project worksheets, as noted below, which were a result of the NYS OEM representative not correctly reporting the Town’s information. However, a representative from the Town signed off and approved/certified the project worksheets, indicating that the project worksheets were not reviewed for accuracy and that the information reported on the project worksheet was not reconciled to the supporting documentation originally provided to the NYS OEM by the Town. This resulted in many errors being identified during the audit process.
- b) There was one instance where the Town received reimbursement for overtime worked by an employee who is not eligible to receive compensation for overtime hours worked in accordance with their contractual agreement with the Town.
- c) There were twelve instances on the force account labor records, which support the project worksheet, where there were hours charged to the grant program that did not appear to be supported by employee time sheets or other supporting documents.
- d) There were three instances where the equipment usage was charged to the grant program twice under the same project worksheet.
- e) There were five instances where employee labor was charged to two different project worksheets for the same date worked. The supporting employee time sheets indicated the total hours worked for that date could only support one of the project worksheets.
- f) There were three instances where the Town was reimbursed for more costs related to equipment usage than allowed due to an incorrect equipment rate being used on the force account equipment records.
- g) In accordance with the emergency protective measures project worksheet related to the severe winter storm of 2013, the Town elected a specific 48 hour timeframe to claim eligible costs for the major snowstorm. We noted four instances where employees’ time charged to the program was outside of the elected 48 hour timeframe.
- h) There were five instances where the force account labor and/or equipment records did not have any signoffs or dates to indicate who prepared the documents, or when the document was prepared. In addition, these documents were not certified by a Town employee, as required.
- i) There were four instances where employee time sheets, indicating hours worked and charged to the program, were not signed off by the respective department head or another member of management to indicate the time sheet was properly reviewed and approved.

TOWN OF RIVERHEAD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended December 31, 2014

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT** (continued)

**2013-07 ALLOWABLE COSTS / COST PRINCIPLES - FORCE ACCOUNT LABOR AND FORCE
ACCOUNT EQUIPMENT - Material Weakness** (continued)

Conditions (continued)

- j) The documentation to support administrative time incurred for a particular disaster was not signed off by the respective department head or another member of management to indicate the supporting documentation was properly reviewed and approved.

Effect

The Town received reimbursement/grant proceeds in excess of allowable costs.

Questioned Costs

\$ 6,207	Employee hours charged to the project worksheets were not supported by employee time records (see condition b above)
3,175	Employee hours charged to the project worksheets were not supported by employee time records (see condition c above)
1,296	Equipment usage for the same days were charged to the program twice in error (see condition d above)
603	Employee hours for the same day were incorrectly charged to two project worksheets (see condition e above)
395	Equipment reimbursement based on incorrect rate (see condition f above)
<u>854</u>	Costs for the Severe Winter Storm of 2013 that were not within the 48 hour timeframe (see condition g above)
<u>\$ 12,530</u>	Total Questioned Costs

Recommendation

Upon further discussions with the Town's management, we were made aware that one project worksheet, which included the most significant errors noted above, was in the process of being rewritten by the NYS OEM as of the date of this report. We recommend that the Town implement procedures to ensure all preliminary project worksheets prepared by a third party are reviewed and reconciled to the Town's supporting documentation to confirm accuracy before the Town signs off approving the project worksheet and receives payment for the costs. The Town must ensure that only allowable costs are charged to the federal program and that adequate support is maintained for all federally funded expenditures. All supporting documents, such as the force account labor and equipment records, must be signed off / certified by the preparer and a reviewer to show that the information was prepared based on the payroll records and that the costs included were, in fact, allowable costs for this grant.

TOWN OF RIVERHEAD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended December 31, 2014

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT** (continued)

**2013-07 ALLOWABLE COSTS / COST PRINCIPLES - FORCE ACCOUNT LABOR AND FORCE
ACCOUNT EQUIPMENT - Material Weakness** (continued)

Current Status

The Town is in the process of creating a Grant Policy for approval by the Town Board which will address the above recommendations. There were no single audit findings related to allowable costs/cost principles in the 2014 single audit.

2013-08 REPORTING- Significant Deficiency

Federal Program/Cluster

Disaster Grants- Public Assistance CFDA Number 97.036

Criteria

In accordance with the provision listed in the Public Assistance Program Handbook of Policies and Guidelines for Applicants related to Hurricane Sandy and the Severe Storms and Flooding of 2010, within thirty days of completion of all work associated with a project or a defined Blue Book date, the grantee is required to notify New York State Division of Homeland Security and Emergency Services of the project completion using the FEMA Project Listing worksheet (P.4 certification) included in the Project Application Supplement.

Condition

During our audit, we noted five instances where the submission of the P.4 Certification to FEMA was not within the respective 30 day required time period and one instance where the P.4 certification documentation was not provided to FEMA as required.

Effect

The Town is not in compliance with the reporting requirements of the Handbooks mentioned above and the grant agreement.

Recommendation

We recommend that the Town implement internal control procedures to ensure proper documentation and maintenance of records to support that reporting requirements are met in accordance with the terms of the grant.

Current Status

This was a repeat finding in the year ending December 31, 2014. See Findings and Question Costs item 2014 - 005.