

Town of Canandaigua

5440 Routes 5 & 20 West
Canandaigua, NY 14424
(585) 394-1120 * Fax: (585) 394-9476
townofcanandaigua.org
Established 1789

September 8, 2017

Gabriel F. Deyo
Deputy Comptroller
Office of the NYS Comptroller
110 State Street
Albany, NY 12236

RE: Town of Canandaigua response to audit # 2017M-109

Dear Deputy Comptroller Deyo:

Thank you for providing a copy of your draft audit report for response from the Town of Canandaigua. The following response is relative to the four sections of the audit report including Executive Summary, Fund Balance, Water Fund, and Information Technology.

A corrective action plan will be provided to you once the Town Board of the Town of Canandaigua has had an opportunity to consider a resolution adopting and approving the corrective action plan.

Executive Summary – Audit Results

The Town of Canandaigua Town Board has reviewed the comments in the draft report and has shared some additional details with the audit team around the town's existing fund balance policy. The Board takes exception to the statement that it does not manage Town finances and is providing a summary of the information presented during our post-audit meeting supporting our position.

The Board has made many improvements over the past several years in the management of fund balance and takes their fiduciary responsibility regarding town finances very seriously.

- The Town Board each month publishes the full agenda proactively including the documentation associated with every resolution for the public to view. The attachments include the monthly financial summary from the Town's independent auditing firm inclusive of the cash balances of each fund and all reserves.
- At the monthly Town Board meeting, the monthly financial reports are reviewed and voted on by members of the Town Board for acceptance. The Town Board members

routinely discuss funds, vouchers, expenditures, revenue and budgeting during each meeting.

- The Town Board contracted with an independent certified accounting firm since 2014 to provide guidance of Town finances in accordance with General Accepted Accounting Principles (GAAP). It should be noted the auditors never met with our accounting firm, likely resulting in incomplete information relative to certain findings.
- In order to more effectively manage the Town's finances, the Town Board of the Town of Canandaigua has reorganized a Town Finance Committee. The Finance Committee reviews items on the Town Board agenda relative to finance and make recommendations to the Town Board in advance of the Town Board meeting. The Finance Committee includes a Town Board member, who serves as Chair; the Town Manager, Bookkeeper, staff, residents, and representatives of the Town's Certified Accounting Firm.

Relative to management and concern regarding our fund balance level and plans:

Since 2015, the Town Board has planned for the use of a portion of unassigned fund balance to offset expenditures relating to the construction of a new highway facility. Monthly updates are reflected in meeting minutes, and passage of the following resolutions clearly demonstrates the Town Board's plan for fund balance:

Resolution # 2016-168, adopted July 18, 2016 establishing a reserve fund for building;
Resolution # 2016-237, adopted October 17, 2016 transferring \$ 1,000,000 for building;
Resolution # 2016-275, adopted December 19, 2016 design development of building;
Resolution # 2016-284, adopted December 19, 2016 SEQR determination for building;
Resolution # 2016-291, adopted November 21, 2016, relating to bonding for building;
Resolution # 2016-292, adopted November 21, 2016, relating to permissive referendum;
Resolution # 2016-320, adopted January 9, 2017 encumbrance of funds;
Resolution # 2017-170, adopted April 21, 2017, relating to advertise for sealed bids;
Resolution # 2017-172, adopted April 26, 2017, relating to release of BIDS;

The Town Board of the Town of Canandaigua has adopted a multi-year capital improvement plan (Resolution # 2017-220) on June 19, 2017 that includes a fifteen year plan relative to capital expenditures, improvements, sources of funding, and the source of revenue to offset the expenditure. The capital plan includes facilities owned or operated by the Town of Canandaigua and equipment.

The Town Board is continuously working on improving our methods of managing the town's finances. One of our goals is to provide a stable tax rate for residents. The Town's tax rate for 2017 was \$.89 per thousand, and estimated for 2018 at \$.91 per thousand. The ability to provide consistency of the tax rate is due to our management of fund balance levels and financial planning by the Town Board.

Since the audit, a number of changes have already begun to address items identified in the report and institute additional efficiencies. Actions include: appointment of a new Town Supervisor, a new Town Board member, a Town Manager, new water billing software, new IT policies, restructuring of Financial Office, amending the Fund Balance Policy, adoption of new Capital

Plan, changes to the Town Hall building security to protect both physical and IT assets, new accounting software, IT analysis, shared services with neighboring municipalities, review and examination of existing contracts, construction of new highway facility, new budget preparation procedure, and fund balance policy appropriations.

Relative to the numbered recommendations:

1. The town is amending our existing fund balance policy to include additional controls around the levels of fund balance and additional forecasting.
2. The largest item in our town budget is sales tax revenue which has proved difficult to predict but has a large impact. We will continue to review our budgeting process for improvements.
3. We will formalize the fund balance plan to ensure it is easier for everyone to understand.
4. A 15 year capital plan was adopted thru Board resolution prior to the audit report and we are implementing a forecasting process to improve our ability to make decisions
5. We are investigating a new financial system to facilitate the budgeting and reporting process.
6. The Water district policy will be reviewed.
7. A policy will be implemented and followed for water adjustments.
8. Each water fund will be separated.
9. A policy for late payment penalty adjustments will be established and followed.
10. Water district reconciliations will be performed and documented.
11. A policy will be established to compare water purchased to water sold. Reconciliations will be performed and limits established for reconciling items that require additional follow-up.
12. We will review our new water billing software to ensure we can verify the correct rates have been updated and implement a policy to ensure updates are correct.
13. IT policies will be implemented to address the improvement opportunities noted.
14. The Town Board is already considering a new IT policy for users.
15. Our current IT service agreement will be reviewed and modified.
16. An on-line banking agreement will be reviewed.
17. On-line banking policies will be reviewed and improved.
18. The disaster recovery plan will be updated.
19. Internal control mechanisms will be reviewed.
20. We will look into designating a computer for on-line banking.
21. The IT team will investigate methods to ensure compliance with acceptable usage.

Thank you for the opportunity to share our progress relating to the items you have identified.

Sincerely,



Greg Westbrook, Town Supervisor
Town of Canandaigua

cc: Town Board
Town Manager
Town Clerk