

CITY OF HUDSON, NEW YORK

MANAGEMENT LETTER

DECEMBER 31, 2016



Sickler, Torchia
 Allen & Churchill, CPA's, PC
 Your Partner When It Counts

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January 25, 2018

To the Common Council
 City of Hudson, New York
 Hudson, New York

In planning and performing our audit of the basic financial statements of City of Hudson, New York, for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City of Hudson, New York's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 City of Hudson, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We have separately reported on the City of Hudson, New York's internal control in our report dated January 25, 2018. This letter does not affect our report dated January 25, 2018, on the basic financial statements of City of Hudson, New York.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City of Hudson, New York, personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sickler, Torchia, Allen & Churchill, CPA's P.C.
 Hudson, New York

MEMORANDUM

CURRENT YEAR MEMORANDUM ITEMS

None noted

PRIOR YEAR MEMORANDUM ITEMS

Payroll Salaries:

During our audit, we noted department head employees were paid bonuses. The City has continued this practice mirroring a signed employee agreement with the Civil Services Employee Association.

We noted that the City does not have a formal procedure for authorizing and documenting employee pay rates for non-union and/or employees not covered under a contractual agreements. Since salary is the single largest administrative expense incurred by the City each year, it is important that controls are in place to ensure accurate accounting. Without a formally documented pay rate system, the potential arises for inaccurate and/or unsubstantiated payments. We recommend that the City establish a procedure whereby pay rates are formally authorized by the Common Council or by management, and maintained in a confidential employee file.

Status as of December 31, 2013 - 2015:

During our audit we noted the City had not adopted a formal procedure for authorizing and documenting employee pay rates for non-union and/or employees not covered under contractual agreements.

December 31, 2016 Status:

The City has not adopted a formal procedure for authorizing and documenting employee pay rates for non-union and/or employees not covered under contractual agreements. Accordingly, we will continue to monitor this area.

MEMORANDUM (CONTINUED)

PRIOR YEAR MEMORANDUM ITEMS (CONTINUED)

Budgets:

During our audit procedures, it was noted that the Final Budget revenues and expenditures did not agree. The budget is an essential ingredient in the financial planning, control and evaluation process. The budget is an estimated financial plan of a government which represents the spending authority for the various purposes and the means of financing those proposed expenditures.

Budgetary accounting is a management control technique used to assist in controlling expenditures and tracking revenues. We suggest the City review its budgetary accounting procedures and State of New York statutory laws.

Status as of December 31, 2010 - 2014:

The audit generated similar detail findings to that of the prior year.

December 31, 2015 Status:

During the audit, we noted the City is using budgetary accounting as a control technique used to assist in controlling expenditures and tracking revenues. This did result in General Fund Budgetary overspending. Consideration was not made during the process of encumbering process at year end. Accordingly, we continue our prior recommendation related to those items noted herein.

December 31, 2016 Status:

During the current year audit, we noted the City is using budgetary accounting as a control technique used to assist in controlling expenditures and tracking revenues. There was no General Fund and Special Revenues Fund Budgetary overspending. **Accordingly, we consider this matter resolved.**