

January 18, 2017

To Mayor and Village  
Board of the Village of Monticello  
Monticello, New York

In planning and performing our audit of the financial statements of the Village of Monticello as of and for the year ended July 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Monticello's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements in accordance with *Government Auditing Standards*, 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.

The management of the Village of Monticello is responsible for establishing and maintaining an internal control structure. An internal control system consists of five elements: the control environment, risk assessment, information and communication, monitoring, and control activities. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated January 18, 2017 on the financial statements of the Village of Monticello. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Certain matters involving the internal control structure and its operation, of a more routine nature, have been discussed with the appropriate administrative personnel. Our comments are summarized as follows:

#### **INTERNAL CONTROLS**

During our review of the Village's cash disbursements procedures, we noted several vouchers that had no approval to indicate that they were reviewed and approved. All of the items noted were included in voucher abstracts that were approved by the Board and had cancelled checks with the required dual signatures. However, we recommend that the Village review its procedures related to signatures on the individual vouchers included in each voucher abstract.

**Management's Response** - The Village has recently changed the process and checks are no longer being written if all approval signatures are not in place.

## **MONITORING**

During our review of the water, sewer and sanitation relevy of unpaid bills, we noted that the amount on the subsequent year's tax bills was \$123,000 less than the amount actually releived. The shortfall was caused by a coding error by the outside vendor who prepares the bills, resulting in one of the tax bills going out with the incorrect amount. Once the error was brought to the attention of management, the Village Board authorized a corrected tax bill and a new bill went out with the corrected amount. We recommend that the Village put a procedure in place to reconcile the amount releived each year with the amount on the Tax Warrant, to insure that the proper amount is being included on the tax bills.

**Management's Response** - The Clerk will now reconcile the tax warrant amount to the relevy.

## **PREVIOUS RECOMMENDATIONS**

During our review of the Village's bank reconciliations we noted variances that were carried forward from month to month throughout the year. Any variances noted when preparing bank reconciliations should be identified and corrected immediately. The new Treasurer eventually identified and corrected all of the variances in the bank reconciliations at the end of the year. Additionally, we recommend that a second person review and sign off on the bank reconciliations each month when they are complete.

**Management's Response** – Bank reconciliations are now up to date and are done on a monthly basis with the Village Manager performing a secondary review with signature.

During our review of the Village's purchasing procedures we noted several instances of vendors who performed services for the Village but did not provide a certified payroll with the invoice to indicate that prevailing wages were paid to employees on the job. All vendors performing services for the Village are required to provide a certified payroll indicating that all workers were paid prevailing wages. Business owners are exempt from the prevailing wage requirement but they must provide a certification indicating that they are the owner of the business and they performed all the work themselves. We recommend that the Village inform all of its department heads and vendors of this requirement

**Management's Response** – The Village is in the process of correcting this deficiency and will have procedures in place shortly.

During our review of the Building and Recreation Departments, we noted that summary sheets detailing the monthly activity are not being provided to the business office so that the collections and deposits can be reconciled. We strongly recommend that both Departments provide a monthly report of activity and provide the report to the business office so that the business office can reconcile the activity with the deposits for the month.

**Management's Response** – The Village will take steps to correct these areas of deficiency.

During our review of the Village's internal control procedures, we noted that the Village does not have a procedure manual to detail the job duties of the various employees. A detailed manual not only assists in preparing a clear internal control function, but also helps the transition when employees leave the Village and new employees are hired. We recommend that the Village prepare an employee manual that details the job duties for each employee.

**Management's Response** – The Village is already in the process of creating procedural manuals for each employee and department.

During our review of the Village tax levy, we noted that the tax warrant was not signed by the Village Clerk. We recommend that the Village prepare a formal tax warrant, listing the various taxes being collected, and signed by the Village Clerk.

**Management's Response** – This will be corrected for future tax warrants.

During our review of the water, sewer and sanitation fees re-levied on the subsequent year's tax levy, we were unable to locate the Board resolution to re-levy the amounts. We recommend that the Board review a list of the re-levied charges and pass a formal resolution to include them on the subsequent year's tax levy.

**Management's Response** - This is a simple measure that we will enact immediately.

During our review of the Village's Justice Court we noted that there is still an old balance in the restitution bank account even though the Village no longer collects restitution payments from defendants. We recommend that the Village either identify and disburse the remaining funds or contact NYS to determine the proper method of disbursing unknown restitution monies.

**Management's Response** – In November 2016, both the aged bail and restitution accounts were closed and all money was deposited in the General Fund.

In conclusion, we would like to thank the Staff who assisted us during our examination, and provided us with all the necessary records.

Very truly yours,

  
\_\_\_\_\_  
Cooper Arias, LLP