

**TOWN OF BROOKHAVEN**

**SINGLE AUDIT REPORTS**

Year Ended December 31, 2010

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**TOWN OF BROOKHAVEN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended December 31, 2010

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Program Expenditures</u>
<b><u>Department of Housing and Urban Development</u></b>		
Direct Program:		
Section 8 Housing Choice Voucher Program	14.871	\$ 10,956,812
Passed through Suffolk County:		
Community Development Block Grant Program	14.218	2,144,546
ARRA - Community Development Block Grant Program Entitlement Grants	14.253	337,424
<b><u>Department of Energy</u></b>		
Direct Program:		
ARRA - Energy Efficiency & Conservation Block Grant	81.128	814,441
<b><u>Department of Interior</u></b>		
Passed through New York State:		
US Fish & Wildlife Service - Clean Vessel Act Program	15.616	35,000
<b><u>Department of Transportation</u></b>		
Passed through New York State:		
Highway Planning and Construction	20.205	87,560
Highway Planning and Construction - SAFETEA	20.200	25,258
New Freedom Program	20.521	70,466
Passed through Suffolk County:		
Metropolitan Planning Program - SAFETEA	20.505	80,000
<b><u>Department of Homeland Security</u></b>		
Passed through New York State:		
Federal Emergency Management Agency	97.036	841,197
<b><u>Department of Health and Human Services</u></b>		
Passed through Suffolk County:		
Special Programs for the Aging - Title III:		
Part B - Grants for Supportive Services and Senior Centers	93.044	21,631
Part C - Nutrition Services	93.045	65,459
Part C-2 - Nutrition Services	93.045	23,963
		<u>\$ 15,503,757</u>

See accompanying note to schedule of expenditures of federal awards.

**TOWN OF BROOKHAVEN**  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2010

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Brookhaven and is presented on the modified accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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 Council  
Town of Brookhaven  
Farmingville, New York

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Brookhaven, New York, as of and for the year ended December 31, 2010, which collectively comprise the Town of Brookhaven, New York's basic financial statements and have issued our report thereon June 30, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Town's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2010-02, 2010-04, 2010-06, 2010-09, 2010-10 and 2010-11.

**PERSONAL SERVICE. TRUSTED ADVICE.**

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Internal Control Over Financial Reporting (continued)

A *significant deficiency* is a deficiency, or a 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 to be significant deficiencies. 2010-01, 2010-03, 2010-05, 2010-07, 2010-08 and 2010-12.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Brookhaven, New York's financial statements are free of 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 matters that we reported to management of the Town of Brookhaven, New York, in a separate letter dated June 30, 2011.

The Town of Brookhaven, New York's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Brookhaven, New York's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ALST, Vizzini, Zamboni & Company P.C.

Hauppauge, New York  
June 30, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Supervisor and Town Council  
Town of Brookhaven  
Farmingville, New York

Compliance

We have audited the compliance of the Town of Brookhaven, New York, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Brookhaven, New York's major federal programs for the year ended December 31, 2010. The Town of Brookhaven, New York's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Town of Brookhaven, New York's management. Our responsibility is to express an opinion on the Town of Brookhaven, New York's compliance based on our audit.

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 Brookhaven, 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. Our audit does not provide a legal determination of the Town of Brookhaven, New York's compliance with those requirements.

In our opinion, the Town of Brookhaven, New York, complied, in all material respects, with the 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, 2010.

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### Internal Controls Over Compliance

Management of the Town of Brookhaven, New York, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Brookhaven, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Brookhaven, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The Town of Brookhaven, New York's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Brookhaven, New York's response and, accordingly, we express no opinion on it.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brookhaven, New York, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 30, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Brookhaven, New York's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We noted certain other matters that we reported to management of the Town of Brookhaven, New York in a separate letter dated June 30, 2011.

This report is intended solely for the information and use of management, Town Council, others within the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Albert, Vignio, Zark & Company P.C.*

Hauppauge, New York  
June 30, 2011

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Town of Brookhaven, New York.
2. There are twelve control deficiencies in internal control relating to the audit of the financial statements, which are reported in the "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". Six of the deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of Brookhaven, New York were disclosed during the audit.
4. There are no significant deficiencies in internal control relating to the audit of the major federal award programs reported in the "INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133".
5. The auditors' report on compliance for the major federal awards programs for the Town of Brookhaven, New York expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The programs tested as a major program are:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
81.128	ARRA – Energy Efficiency & Conservation Block Grant
97.036	Federal Emergency Management Agency

8. The threshold for distinguishing Types A and B programs was \$465,113.
9. The Town of Brookhaven, New York was not determined to be a low-risk auditee.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS**

**2010-01 – PROCUREMENT (Repeat Finding)**

**Condition**

During the audit we noted a couple of instances where the Town did not follow its purchasing policy as evidenced by the following:

- Several instances where the purchase order was dated subsequent to the date of the invoice

**Effect**

The Town may violate both general municipal law and the Town's stated purchasing policy.

**Recommendation**

Management should implement procedures to ensure that the Town is following its purchasing policy.

**Management's Response**

A revised purchasing policy has been completed and implemented, effective June 1, 2009. In 2010, further amendments to the procurement policy were made in order to further improve these processes. At some time in 2011, the Purchasing Division and Finance Department will be preparing a Purchasing Process Manual and conducting joint training seminars to provide instruction to the staff of all Departments on the proper application of the Town's adopted Procurement Policy and use of the Manual.

In addition, Information Technology and Purchasing have implemented a new "bids and quotes" module in the MUNIS financial reporting system. This new module is streamlining bid information and integrating it with the main Town financial system. This should reduce manual errors associated with data entry into the two existing systems while providing a more stable and accessible bid system.

Most of the exceptions are the result of a new program relating to grant funding that will end in 2011. The unusual circumstances relating to the RFP process for this program caused unexpected delays. This was a one time occurrence.

**2010-02 – CASH RECONCILIATIONS - TOWN, TAX RECEIVER AND TOWN CLERK (Repeat Finding) - MATERIAL WEAKNESS**

**Condition**

There is no evidence of the bank reconciliations being reviewed for correctness, completeness and agreement to the general ledger after being prepared.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2010-02 – CASH RECONCILIATIONS - TOWN, TAX RECEIVER AND TOWN CLERK (Repeat Finding) - MATERIAL WEAKNESS (continued)**

**Effect**

Cash as recorded on the general ledger may be inaccurate. Revenues and expenditures could be misstated due to the failure to post reconciling items to the general ledger. Any irregularities regarding cash could go undetected for significant periods of time.

**Recommendation**

The Town should implement written procedures regarding cash. These procedures should comply with the recommendations of the NYS Comptrollers Office as contained in the "Financial Management Guide for Local Governments."

**Management's Response**

The Internal Auditor has reviewed cash reconciliation procedures with the Tax Receiver's and Town Clerk's Offices. Recommendations have been made for implementation of bookkeeping software to assist in these functions, however, the Departments have not yet taken final steps to effect changes. Meanwhile, the Town Clerk's Office has been reconciling its accounts regularly and reconciling items are at a minimum for its new bank account.

The Town Clerk's Office is currently working with IT to write reports that can be used for reconciliations as well as financial reporting. Due to the many changes in staffing in the Town Clerk's Office, the Internal Audit staff considers it advisable to meet with staff to review procedures relating to cash processing, accounting and reconciliations with the objective of assuring compliance with "best practices" for cash handling.

The Internal Audit staff will also meet with the Tax Receiver's Office to discuss progress in acquiring software and, alternatively, to recommend other procedures needed to assure compliance with "best practices" for reconciliations and old outstanding checks.

Finally, it is anticipated that, when a Deputy Commissioner is appointed in the Finance Department, reviews of bank reconciliations by the Deputy will resume.

**2010-03 – OTHER ACCOUNTING PROCEDURES (Repeat Finding)**

**Condition**

The Town has not finalized its accounting policies and procedures manual.

**Effect**

The lack of established policies and procedures can lead to weaknesses in internal control, accounting methods inconsistent with management's intentions and undetected errors.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2010-03 – OTHER ACCOUNTING PROCEDURES (Repeat Finding) (continued)**

**Recommendation**

We recommend the Town continue its development of its accounting policies and procedures manual, and once completed, make it available to all departments.

**Management's Response**

As of December 31, 2010, the accounting policies and procedures manual for the Finance Department was approximately 90% complete. In early 2011, this manual was substantially completed. The process for completing manuals for other Departments is lengthy and Management expects it will be a multi-year project.

**2010-04 – LANDFILL COMPUTER SYSTEM (Repeat Finding) - MATERIAL WEAKNESS**

**Condition**

The scale house billing system lacks controls to prevent erroneous data from being entered. Employees have the ability to override the data input. The weight is sent from the scale to the computer in the scale house, but there is no system in place to prevent the operator from changing the weight or deleting a transaction prior to committing storage of data.

**Effect**

It is a possibility that landfill fees billed and collected are not complete or accurate. This could result in lost revenue to the Town.

**Recommendation**

The Town should implement a new weight ticket/billing system. This system should include vehicle tags which would be attached to customers' trucks and scanned upon entry to the landfill. The vehicle tags would be linked to a particular customer and vehicle tare weight. The bills would be produced by the same system, eliminating the need for manual re-keying of data. A record of every vehicle which enters the landfill should be kept regardless of billing or payment requirements. Gates should be installed to prevent vehicles from entering the landfill without going over the scale. Any weights recorded without a corresponding payment or invoice must be investigated to ensure the completeness and accuracy of the billing process. In addition, the data in the system should be backed up and taken offsite daily.

**Management's Response**

The Internal Auditor has visited the facility and met with the scale house Supervisor and discussed these concerns. This issue, along with some other internal control concerns, was the subject of meetings with the software provider. Waste Management considered the acquisition of new software, but decided that its cost was not justified. Alternatively, the Internal Audit Staff recommended printing an exception report daily to list all manual overrides of scale weights. In the fall of 2010, the scale house Supervisor began to review and sign off on exception reports as recommended.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2010-05 – INVENTORY (Repeat Finding)**

**Condition**

Presently, the Town has inventory of materials and supplies on hand in various departments (i.e. Parks and Recreation, Vehicle Control and Highway) and in most instances there is no record of the inventory on hand. The only inventory that is recorded and reconciled to the general ledger is gasoline. Inventory levels need to be monitored and aggregate cost determined annually to consider if material to the financial statements. However, inventory should be tracked/monitored to avoid misappropriation. Additionally, we noted that the Parks Department inventory of soil, sand, shrubbery, and large trailer equipment is not stored in a secured location.

**Effect**

The financial statements could be misstated if unrecorded inventory is deemed material to the financial statements. Also, materials and supplies could be lost or stolen resulting in a misappropriation of assets.

**Recommendation**

We recommend that the Town establish formalized control procedures for the recording, tracking and testing of inventory. We also recommend that the periodic test counts be performed to ensure that actual quantities on hand agree with detailed computerized reports. Any discrepancies should be reconciled and adjustments made, if necessary. We also recommend the Town implement controls to store inventory in a secure location by considering video surveillance, locked gates or roving security.

**Management's Response**

Computerized inventory control systems have been available since 2008 for Vehicle Control. The Internal Audit staff has been informed that, due to personnel issues, this program is not being implemented and no implementation is foreseen in the near future.

In the fall of 2008, Highway implemented the same computerized inventory control system to track inventory of gas, parts and supplies that was installed at Vehicle Control. The software is called Fleet Management. At present, the data generated by this software is used solely for inventory control and there is no integration with dollar values in MUNIS. This integration is under consideration and may be implemented in 2011 if staffing and skill sets available to the Department permit.

**2010-06 – CALABRO AIRPORT (Repeat Finding) - MATERIAL WEAKNESS**

**Condition**

We noted that this department's internal controls' require strengthening, including but not limited to, addressing lack of segregation of duties with respect to collection, recording and reconciling cash.

**Effect**

The lack of a formal internal control system and implementing it properly can result in lost revenues and misappropriation of assets and it would go undetected.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2010-06 – CALABRO AIRPORT (Repeat Finding) - MATERIAL WEAKNESS (continued)**

**Recommendation**

We recommend that Management perform an in depth review and risk analysis of this department with respect to internal control and implement policies and procedures to ensure the safeguarding of cash and revenue.

**Management's Response**

Management performed an in depth review of this department with respect to internal control and implemented policies and procedures to ensure the safeguarding of cash and revenue in the spring of 2010.

The Internal Audit staff has reviewed this Department and agrees that internal controls are lacking as a result of staffing limitations. After a risk assessment analysis, including a cost benefit analysis, Management has determined that the implementation of further needed controls would be economically impractical and not in the best interests of the Town.

**2010-07 – APPROPRIATIONS IN EXCESS OF BUDGETED AMOUNTS (Repeat Finding)**

**Condition**

We noted several instances where several funds (DA, SAMD, SWHV, SWM1, and SWM2) in which the total appropriations exceeded the revised budgeted amounts. Additionally we noted that the SWSH fund did not have an adopted budget.

**Effect**

The Town may be in violation of Local Finance Law and may incur unauthorized expenditures.

**Recommendation**

We recommend that Management implement policies and procedures to obtain Town Board authorization to amend the budget prior to expenditures being incurred.

**Management's Response**

The 2010 winter snow storm season was particularly severe which lead to unanticipated snow removal costs and these costs must be incurred for safety reasons. From time to time, unexpected or unexpectedly large utility bills will be received for special districts. While we have questioned the utility about the accuracy of these invoices in the past, such bills must be paid regardless of available budgets. If not paid, utility services would be discontinued. As we approach year end, housekeeping Resolutions are prepared to amend budgets based upon actual and expected annual expenditures. At that time, the Town Board will authorize budget amendments as needed.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2010-08 – LENGTH OF SERVICE AWARD PLAN (Repeat Finding)**

**Condition**

Current actuarial computations of the ambulance length of service award benefit obligations have not been completed. Penflex, Inc., the third party administrator, has not received current 'points' by volunteer, which is needed to prepare the actuarial computation. Submission to Penflex, Inc. of a certified list of points by participants and approved by the Sponsor (the Town) is required under General Municipal Law Article 11-AAA.

**Effect**

The Town may be in violation of general municipal law. In addition, plan assets and related benefit obligation may be misstated and the required contributions have been based on estimated amounts since current actuarial computations have not been done. Additionally, required financial statement disclosures may not be available.

**Recommendation**

We recommend the Town establish policies and procedures to ensure a certified list of participants respective points/credits is received timely from the ambulance companies and apply such procedures to this list as deemed necessary in order to approve the list as required by general municipal law.

**Management's Response**

The Town is aware that, due to a problem that dates back to the inception of the LOSAP program in 2000, some of the figures have not been properly certified for the administrator. This matter is currently being reviewed by the Town's Law Department and a resolution to this problem is expected to be reached by the end of the last quarter of 2011. Once this is resolved, the timing of reporting by each of the ambulance companies can be more properly addressed and brought into compliance with the Town's policies, procedures and GML.

**2010-09 – INTER-FUND CHARGEBACKS - MATERIAL WEAKNESS**

**Condition**

We noted in several instances where the revenue and expenditures related to the inter-fund chargeback is not being recorded in the same period. This is partially due to the Town recording these transactions through accounts receivable and accounts payable as opposed to the due to/from other funds accounts.

**Effect**

This may lead to an understatement of revenues or expenditures at the individual fund level as well as the GASB 34 level.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2010-09 – INTER-FUND CHARGEBACKS - MATERIAL WEAKNESS (continued)**

**Recommendation**

We recommend the Town institute a system for all inter-fund transactions, which would record both sides of the entry utilizing a reconciling type account in each fund, thereby alerting the Town if a portion of inter-fund entry is missing.

**Management's Response**

Effective starting in the summer of 2011, the Finance Department will require that Departments submit notification to the Principal Accountant containing all details for any chargeback's within two weeks of determination by the issuing Department.

**2010-10 – CAPITAL ASSETS - DEPRECIATION EXPENSE - MATERIAL WEAKNESS**

**Condition**

During the audit we noted that depreciation expense was not calculated on all depreciable assets. It appears that for assets placed in service in 2008 and 2009, MUNIS did not calculate depreciation. Estimated depreciation related to these assets totaled approximately \$9.8 million dollars.

**Effect**

Depreciation expense as calculated by MUNIS was understated by approximately \$9.8 million.

**Recommendation**

We recommend the Town determine the cause of this and develop written instruction on entering/coding individual capital assets within the module and develop review procedures to ensure depreciation is being calculated properly.

**Management Response**

This problem occurred as a result of a computer software "glitch". After corrective action being taken by IT, with the assistance of MUNIS, the problem was resolved. This was a one time occurrence, however, the Finance Department anticipates that, in the future, the Deputy Commissioner will perform sufficient oversight and review to detect such errors when they occur and institute corrective action.

**2010-11 – COMPENSATED ABSENCE ACCRUAL - MATERIAL WEAKNESS**

**Condition**

During the audit we noted that the compensated absences accrual listing was not complete. The schedule omitted certain Highway Department retirees' accruals due to the deferral of payouts under both the Town and State early incentive retirement programs. The liability related to these retirees totaled approximately \$1.5 million.

**TOWN OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2010

**FINDINGS - FINANCIAL STATEMENTS (continued)**

**2010-11 – COMPENSATED ABSENCE ACCRUAL - MATERIAL WEAKNESS (continued)**

**Effect**

Long-term liabilities reflected in the financial statements would be understated.

**Recommendation**

We recommend the Town establish policies and procedures such as independent review of schedule to ensure the detailed listing of accrued compensated absences is complete and accurate.

**Management Response**

This problem was the result of a communications breakdown relating to first time occurrences. The Town has never had an early retirement incentive program nor has it had retirees with deferrals of accrual payouts in the past. This one time problem is not expected to recur. The Town anticipates that in the future, the Deputy Commissioner will review this listing for completeness and accuracy.

**2010-12 – GRANT REQUEST FOR REIMBURSEMENT**

**Condition**

During the audit we noted that the spreadsheet used to compile the amount of costs incurred under the FEMA grant contained a formula error. This error resulted in an understatement of reimbursable expenditures. Additionally, under the terms of the agreement the Town is reimbursed for equipment rates and in two instances we noted where the Town used an incorrect rate.

**Effect**

The formula error may have resulted in lost revenue to the Town. The utilization of an incorrect equipment rate may have lead to incorrect request for reimbursement.

**Recommendation**

We recommend the Town establish policies to review the spreadsheets used to track the expenditures for which the Town will be reimbursed.

**Management Response**

The Department that originated this spreadsheet was made aware of the flaw in the formula and took appropriate steps to correct the error. In the future, Department policy will provide for review of all formulae that are utilized in spreadsheets in order to prevent recurrence of this problem.

**TOWN OF BROOKHAVEN**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year ended December 31, 2010

**SUMMARY OF PRIOR YEAR FINDINGS – SINGLE AUDIT**

NONE