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May 8, 2017

To the Town Council
Town of Bethlehem, New York

We have audited the financial statements of the governmental activities of the Town of Bethlehem, New York for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 1, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Bethlehem, New York are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Procurement Card Program Policy

During our testwork over the Town's procurement card (P-card) policy and a sample of related transactions we found three instances where the actual operations of the P-card program did not follow the procedures as outlined in the approved P-card policy. First, the signed acknowledgement forms were not on file; second, the "per transaction" cap of \$1,000 was exceeded in one instance by splitting a transaction; and lastly, there were no individual written policies as identified by the current policy, but rather, all P-cards were subject to the P-card section of the Town policy manual.

Recommendation: The Town should review the documented policy in conjunction with the procedures currently in place to ensure that all employees authorized to make transactions have reviewed and signed an acknowledgment. The Town should consider evaluating the “per transaction cap” on an employee by employee basis so that those employees with specific needs are given the proper transactional authority in the P-card system or properly document and approve any deviations from the current policy. The Town should consider reviewing and revising the policy so it reflects the actual process in place.

Management Response: First, P-card applications had been used as “acknowledgement” forms since the cards were established at the Town in the 1990's; however, based on the suggestion, the Town has updated the form to provide greater assurance that the purchasing policy has been read. Second, the Purchasing Policy was updated and adopted at the Town’s organizational meeting in January 2017 to modify the “per transaction” cap for the Town’s Senior Services department. That department regularly purchases tickets for theatrical events, and periodically requires a limit in that exceeds \$1,000 dependent on the event. As this has been a known issue, it was an exception that was maintained and monitored in our purchasing department during the review of the monthly reconciliations. Lastly, in the absence of individual written policies, it was expected that the overarching P-card policy would be the “catch-all”.

Payroll Timesheet Review

During our testwork over the Town’s payroll process and related transactions we noted (5) instances where the employee’s electronic timesheet was approved with the an incorrect vacation code, resulting in subsequent corrections to employee pay as well as vacation hour balances.

Recommendation: We recommend that the client train all department heads and other employees charged with reviewing and approving timesheets so these mistakes are mitigated in the future.

Management Response: All managers have been trained completely on the approval of time cards. The instances identified all occurred during the first week of “go-live” with the Police Department in KRONOS and was caused by a coding problem during roll-out. Although these errors did cause a need to correct vacation balances, it never caused an error in pay.

This information is intended solely for the use of the Town Council and management of the Town of Bethlehem, New York and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY CPA’S, LLC