

CITY OF LONG BEACH, NEW YORK

**Communication of Matters Related to Internal Control
Over Financial Reporting and Other Matters
March 23, 2023**

Bonadio & Co., LLP
Certified Public Accountants

March 23, 2023

To the City Council of the
City of Long Beach, New York:

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining funds of the City of Long Beach (the City) as of and for the years ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 deficiency in internal control mentioned in the attached, to be a significant deficiency.

During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, the City Council, others within City, and is not intended to be, and should not be, used by anyone other than these specified parties.

CITY OF LONG BEACH, NEW YORK

Communication of Matters Related to Internal Control Over Financial Reporting and Other Matters
March 23, 2023

Significant Deficiency

1. YEAR END CLOSE PROCESS

Observation

As noted within the findings of the financial statements, in recent years, the City has experienced difficulties in staffing key positions. As a result, the timeliness and readiness of the financial information has been impacted. In considering our internal control assessments and discussions with management, we determined that the City had an adequate understanding of what should have been recorded or compiled within the financial information, however, without adequate manpower to reconcile, record and review all information, it led to incomplete financial information being given to the auditors. The City recorded numerous entries during the audit process to bring the accounts to correct balances. As a result the completion of the audit was delayed.

Recommendation

We recommend the City hire additional staff, or supplementary staff with temporary staffing solutions, to ensure that reconciliations and adjustments can be performed on a timely basis.

Management Response

The City agrees with the auditors finding. After numerous failed searches for a full-time employee in the Deputy Comptroller position, the City will be hiring a consulting firm that will be serving in this professional capacity to fill in the need for sufficient staffing level at the City Comptroller's office. There are two distinct phases of this project. Initially, in collaboration with the consultant we will remedy any delayed postings and reconciliations. The consultant will assist the City Comptroller's department with bringing all the necessary accounting journal entries and reconciliations up to date to ensure that the City is audit ready, and financial reports will be filed on time with Federal Audit Clearinghouse. The second phase of the project involves monthly support of the Comptroller's office operations, to ensure that the City stays current with all general ledger information. The City will be reevaluating this approach and the progress made on a quarterly basis.

Internal control deficiencies and other matters

2. STOA RIDER TRACKING – REPEAT COMMENT

Observation

During our audit of the STOA program, we noted that the City uses clickers to track passenger ridership. There is one clicker used by each driver for different fare-paying passengers. When the rider enters the bus, the driver counts the passenger as one click. This information is then recorded and sent to the Director of Transportation and a tracking sheet is prepared. This manual process does not distinguish between different passenger types and presents the risk of manipulation or error prior to receipt by the Director of Transportation's office reporting. This also will not accurately reflect daily revenues as they will not be able to track the daily cash receipts back to the different types of riders.

Recommendation

In order to more accurately reflect both the different types of riders and the total number of riders, it is recommended that the City install electronic fare boxes. Once the boxes are installed the Director of Transportation will be able to review a more accurate report of ridership and reconcile that with revenues collected, which will also help in mitigating lost revenues.

Management Response

The City has two different clickers on the buses to track passengers. One is for paying passengers and the other is for unticketed passengers. The City reports both figures for the STOA program. They are manual counts but covers what the program requires. The City should have an automated passenger count system in place by the end of Fiscal Year 2024 with the approval of the Automatic Vehicle Location system.

3. PAYROLL TIME ENTRY PROCESS – REPEAT COMMENT**Observation**

Based on the information obtained during our interviews and walkthroughs of the payroll process, it was noted that, although the City has procedures in place to obtain and record employee time worked, the process is very manual which could be susceptible to error. Handwritten timesheets or timecards are obtained from departments which are reviewed manually by department heads. Those manual timesheets are then entered into the City's payroll system. This could allow for errors in both the approval of time actually worked and the time entered into the system. In addition, the time recorded for the accrual and use of time off could also be susceptible to errors due to the manual entry process.

Recommendation

The City would benefit from an electronic timekeeping system that would collect the time records of the employees that worked during the payroll period and from that system the information could be directly input into the payroll software for processing. This would create efficiencies in obtaining and processing payroll, while also mitigating the manual recording and input errors that could occur with the manual system currently in use.

Management Response

Management agrees with the auditors' comment. Funding for implementation was obtained and a contract was signed with the software provider. Implementation will begin in early fiscal 2024.

4. CAPITAL ASSET TRACKING SYSTEM – REPEAT COMMENT**Observation**

While obtaining an understanding of the City's process related to asset additions and dispositions, we noted that the City currently does not have an asset tracking or tagging process. This does not allow the City to track assets to ensure they are still in the City's possession and at the site at which they are supposed to be located. Without a tracking system in place, items may be left on the fixed asset listing that have been sold or scrapped. This could lead to discrepancies in the value of the fixed assets.

Recommendation

To ensure that the City's assets are safeguarded and properly stated, we recommend the City create a process by which assets that are purchased are tagged and logged in by an identifying number, to the fixed asset listing. We also recommend that on an ongoing basis the City perform inventories of assets to ensure they still exist and are where they should be located within the City. This should be incorporated with software that can track assets to ensure efficiencies.

Management Response

Management agrees with the auditors' comment. Funding for the implementation was obtained and a contract with a software provider is in the negotiation phase. Planned implementation is for early fiscal 2024.