

TOWN OF SMITHTOWN

SINGLE AUDIT REPORTS

Year Ended December 31, 2016

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TOWN OF SMITHTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development				
Section 8 Housing Assistance Payment Program				
Section 8 Housing Choice Vouchers	14.871	NY155	\$ 1,288,636	\$ 1,288,636
PIH Family Self-Sufficiency Program	14.896	NY155	24,853	24,853
Pass-through program from:				
Suffolk County, New York Community Development Office				
Community Development Block Grant	14.218	N/A	369,825	4,806
Subtotal U.S. Department of Housing and Urban Development			<u>1,683,314</u>	<u>1,318,295</u>
U.S. Department of Transportation				
Pass-through program from:				
New York State Department of Transportation				
Highway Planning and Construction	20.205	D031657, D031658, D034278	109,660	
Subtotal U.S. Department of Transportation			<u>109,660</u>	
U.S. Department of Health and Human Services				
Pass-through program from:				
Suffolk County, New York Office of the Aging				
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	SC00000007400	43,873	
Nutrition Services Incentive Program	93.053	SC00000007400	25,512	
Balancing Incentive Program	93.778	SC00000007400	1,016	
Suffolk County, New York Office of Health Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	001-4310-4980-00-00023	283,697	
Subtotal U.S. Department of Health and Human Services			<u>354,098</u>	
U.S. Department of Homeland Security				
Pass-through program from:				
Suffolk County, New York Sheriff's Office				
Operation S.H.I.E.L.D	97.067	N/A	2,480	
Subtotal U.S. Department of Homeland Security			<u>2,480</u>	
U.S. Department of Interior				
Pass-through program from:				
New York State Environmental Facilities Corporation				
Clean Vessel Assistance Program	15.616	N/A	2,363	
Subtotal U.S. Department of Interior			<u>2,363</u>	
U.S. Department of Justice				
Equitable Sharing Forfeited Property	16.922	N/A	19,692	
Subtotal U.S. Department of Justice			<u>19,692</u>	
Total Expenditures of Federal Awards			<u>\$ 2,171,607</u>	<u>\$ 1,318,295</u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF SMITHTOWN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Town of Smithtown, New York under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Smithtown, New York, it is not intended to and does not present the financial position or changes in net position of the Town of Smithtown, New York.

Note B – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following either the cost principles contained in the Uniform Guidance or the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* based on the grant award date. Generally, for grants (including funding increments with modified terms and conditions) awarded after December 26, 2014, such expenditures are recognized following the cost principles contained in the Uniform Guidance and for grant expenditures related to grants awarded prior to December 26, 2014, such expenditures are recognized following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*. The award date is based on the date the Federal award is signed by the authorized official of the Federal awarding agency.
- (2) The Town of Smithtown, New York has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- (3) Pass-through entity identifying numbers are presented where available.
- (4) Federal grants received by the Town are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agencies could make claims for reimbursement, which would become a liability of the Town.



INDEPENDENT AUDITORS' 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 Board
Town of Smithtown
Smithtown, New York

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Smithtown, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Smithtown, New York's basic financial statements and have issued our report thereon dated August 30, 2017.

Internal Control over Financial Reporting

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

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, listed as item 2016-001.

PERSONAL SERVICE. TRUSTED ADVICE.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Smithtown, New York's financial statements are free from 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*.

Town of Smithtown, New York's Response to Findings

The Town of Smithtown, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Smithtown, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Smithtown, New York's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Smithtown, New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albert Vignio, Zuel & Conroy P.C.

Hauppauge, New York
August 30, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Supervisor and Town Board
Town of Smithtown
Smithtown, New York

Report on Compliance for Each Major Federal Program

We have audited the Town of Smithtown, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Smithtown, New York's major federal programs for the year ended December 31, 2016. The Town of Smithtown, New York's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Smithtown, New York's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Smithtown, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Smithtown, New York's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Smithtown, New York complied, in all material respects, with the types of 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, 2016.

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Report on Internal Control over Compliance

Management of the Town of Smithtown, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Smithtown, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Smithtown, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Smithtown, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Smithtown, New York's basic financial statements. We issued our report thereon dated August 30, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Albert, Virginia, Zolt & Company P.C.

Hauppauge, New York
August 30, 2017

TOWN OF SMITHTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Town of Smithtown, New York.
2. There was one significant deficiency relating to the audit of the basic financial statements reported in the "INDEPENDENT AUDITORS' 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."
3. No instances of noncompliance material to the financial statements of the Town of Smithtown, New York, which would be required to be reported in accordance with *Governmental Auditing Standards*, was disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal award programs reported in the "INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE."
5. The auditors' report on compliance for the major federal awards programs for the Town of Smithtown, New York expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) reported 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
14.218	Community Development Block Grant

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. The Town of Smithtown, New York was determined to be a low-risk auditee.

TOWN OF SMITHTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

FINDINGS – FINANCIAL STATEMENTS AUDIT

**2016-001 PAYROLL – SEGREGATION OF DUTIES - SIGNIFICANT DEFICIENCY
(REPEAT FINDING 2015-001)**

Criteria

A good system of internal control provides for a proper segregation of the various accounting functions including proper review and approval of transactions and reconciliations.

Condition

During the audit, we noted that the payroll department has the ability to add employees, change pay rates and prepare a check run. Although, this was addressed in October 2016 as noted below.

Cause

Lack of segregation of duties in the payroll department.

Effect

The Town payroll records could be altered without detection.

Recommendation

We recommend that the Town place additional controls throughout the payroll process to ensure that duties are properly segregated. This includes cross-training and cross-verification.

Views of Responsible Officials

The Town has implemented a new payroll system effective October 2016. This new payroll system has enabled the Town to properly establish controls which will prevent the payroll department from adding employees, changing pay rates or preparing check runs. Responsibility for adding employees and changing pay rates have been re-assigned to Personnel Department and responsibility for preparing check runs have been re-assigned such that payroll is no longer responsible for this function.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

TOWN OF SMITHTOWN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2016

SUMMARY OF PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

**2015-001 PAYROLL – SEGREGATION OF DUTIES - SIGNIFICANT DEFICIENCY
(REPEAT FINDING)**

Condition

During the audit, we noted that the payroll department has the ability to add employees, change pay rates and prepare a check run.

Recommendation

We recommend that the Town place additional controls throughout the payroll process to ensure that duties are properly segregated. This includes cross-training and cross-verification.

Current Status

This comment is repeated in the current year. The Town has implemented a new payroll system effective October 2016. This new payroll system has enabled the Town to properly establish controls which will prevent the payroll department from adding employees, changing pay rates or preparing check runs. Responsibility for adding employees and changing pay rates have been re-assigned to Personnel Department and responsibility for preparing check runs have been re-assigned such that payroll is no longer responsible for this function.

SUMMARY OF PRIOR YEAR FINDINGS – SINGLE AUDIT

None.