



City of Salamanca

Selected Financial Activities

Report of Examination

Period Covered:

April 1, 2013 – September 10, 2015

2015M-284



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2016

Dear City Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and City Council governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the City of Salamanca, entitled Selected Financial Activities. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The City of Salamanca (City) is located almost entirely within the Allegany Territory of the Seneca Nation (Nation) in Cattaraugus County and has a population of approximately 6,000 residents. The City is governed by its charter and other laws of the State of New York. The City Council (Council) is composed of five members and is the legislative body responsible for adopting policies and procedures for the City's financial management. The Mayor serves as the City's chief executive officer and the City Comptroller (Comptroller) serves as the chief financial officer. The Mayor and the Comptroller are responsible for implementing Council policies and for managing the City's financial operations on a daily basis.

The City's budgeted appropriations for the 2015-16 fiscal year are approximately \$8.3 million, financed primarily with sales tax, user charges, property taxes and State aid. The City is heavily reliant upon a special form of State aid generated through an arrangement¹ between the Nation and the State whereby the City receives a portion of the Nation's casino revenues. Casino revenues make up approximately 50 percent of the City's total revenues.

Scope and Objective

The objective of our audit was to review City officials' financial management practices and collection of overdue real property taxes and ambulance service charges. We reviewed financial records and reports pertaining to financial condition and unenforced receivables for the period April 1, 2013 through September 10, 2015. We extended our scope period back to April 1, 2009 to analyze fund balance trends and to determine the extent of uncollected property tax payments. Our audit addressed the following related questions:

- Have City officials effectively managed City finances by properly planning for and using general fund balance in conjunction with the development and use of a multiyear financial plan?
- Are City officials properly collecting overdue real property taxes and ambulance service charges?

¹ The casino compact agreement requires that a portion of the revenues collected by the Nation be paid to the host communities to offset costs associated with the inclusion of a casino within their boundaries and to provide funding for economic development. A portion of the funds received by the City is payable to the Salamanca City School District.

Audit Results

City officials have not effectively managed City finances by properly planning for and using general fund balance in conjunction with the development and use of a multiyear financial plan. The Council did not develop a long-term financial plan or long-term capital plan or require a cash flow analysis to monitor and assess reported revenues for reasonableness. As a result, it was unaware that the Comptroller was not submitting casino revenue claims in a timely manner.

As of March 31, 2015, unrestricted fund balance totaled approximately \$11 million, or 11 times the City's annual tax levy and more than 132 percent of the 2015-16 budget. However, the Council has not adopted a formal comprehensive fund balance policy governing the accumulation and use of fund balance. Additionally, the adopted 2015-16 budget includes estimated revenues that appear to be underestimated by approximately \$1 million, which likely will increase fund balance during the ensuing year.

The Comptroller did not enforce collection of overdue property tax payments in a timely manner and did not follow the tax enforcement procedures prescribed by the City charter and local laws. While the Comptroller generally notified individuals of the amount of delinquent property taxes, she did not obtain Council authorization before adding more than 400 properties with more than \$560,000 in delinquent taxes to the tax pending list, possibly delaying collection. The Comptroller also did not begin property seizure proceedings on more than 26 properties with delinquent taxes totaling approximately \$55,000 as of December 31, 2013.

Finally, the Council did not adopt policies and procedures for enforcing and collecting overdue ambulance service charges. The Comptroller wrote off more than \$350,000 in uncollected charges from April 1, 2013 through May 31, 2015 without the Council's authorization. As a result, revenue collection was not properly enforced and available resources that could have been used to finance operations or reduce City taxpayers' property tax burden were diminished.

Comments of City Officials

The results of our audit and recommendations have been discussed with City officials and their comments, which appear in Appendix A, have been considered in preparing this report. City officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the City's response letter.

Introduction

Background

The City of Salamanca (City) is located almost entirely within the Allegany Territory of the Seneca Nation (Nation) in Cattaraugus County (County) and has a population of approximately 6,000 residents. The City is governed by its charter and other laws of the State of New York. The City Council (Council) is composed of five members and is the legislative body responsible for adopting policies and procedures for the City's financial management. The Mayor serves as the City's chief executive officer and appoints department heads. An appointed City Comptroller (Comptroller) is the chief financial officer, is responsible for the custody of City funds, is required to collect overdue accounts as directed by the Council and is required to enforce all delinquent property taxes in accordance with the charter. The Comptroller also oversees the collection process for ambulance service charges.

The City provides various services including street maintenance, police and fire protection, economic opportunity and development, water, sewer, electric and general government support. The City's general fund budgeted appropriations for the 2015-16 fiscal year are approximately \$8.3 million and are financed primarily with sales tax, user charges, property taxes and State aid.

More than 90 percent of the City is located on Nation property. Non-tribal residents lease property from the Nation and pay property taxes to the City. Nation members and the tribal government do not pay taxes to the City and approximately 60 percent of the City's assessed value is tax exempt. The City is heavily reliant upon a special form of State aid generated through an arrangement between the Nation and the State which requires a portion of the revenues that the Nation collects be paid to the host communities to offset associated costs from having a casino located within their boundaries and to provide funding for economic development. Casino revenues make up approximately 50 percent of the City's total revenues and a portion of the funds received are payable to the Salamanca City School District (District).

Objective

The objective of our audit was to review City officials' financial management practices and the collection of overdue real property taxes and ambulance service charges. To accomplish this objective, our audit addressed the following related questions:

- Have City officials effectively managed City finances by properly planning for and using general fund balance in

conjunction with the development and use of a multiyear financial plan?

- Are City officials properly collecting overdue real property taxes and ambulance service charges?

**Scope and
Methodology**

We examined the City’s financial condition and reviewed the City’s collection process for overdue real property tax payments and ambulance service charges for the period April 1, 2013 through September 10, 2015. We extended our scope period back to April 1, 2009 to analyze fund balance trends and to determine the extent of uncollected real property tax payments.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

**Comments of
City Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with City officials, and their comments, which appear in Appendix A, have been considered in preparing this report. City officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the City’s response letter.

The Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Council to make this plan available for public review in the City Clerk’s office.

Financial Management

The Council, Mayor and Comptroller have a shared responsibility for managing and maintaining the City's fiscal health. To maintain good fiscal health, it is imperative that City officials adequately plan for current and future operating and capital needs. A reasonable, stable fund balance is one element of effective long-range planning and can have several benefits including improving bond ratings, stabilizing real property tax rates and protecting programs from cutbacks. This can be accomplished, in part, by creating a multiyear financial plan which, when updated and properly used, allows City officials to identify developing revenue and expenditure trends, set long-term priorities and goals, avoid potential large fluctuations in real property tax rates and assess the effect their decisions will have on fund balance levels.² Too little fund balance may be an indication of financial problems, while too much fund balance may be an indication of improper financial planning, poor budgeting or overtaxation.

City officials have not effectively managed City finances by properly planning for and using general fund balance in conjunction with the development and use of a multiyear financial plan. The Council did not develop a long-term financial plan or long-term capital plan or require a cash flow analysis to monitor and assess reported revenues for reasonableness. As a result, it was unaware that the Comptroller was not submitting casino revenue claims in a timely manner. As of March 31, 2015, unrestricted fund balance totaled approximately \$11 million, or 11 times the City's annual real property tax levy and more than 132 percent of the 2015-16 budget. However, the Council has not adopted a formal comprehensive fund balance policy governing the accumulation and use of fund balance or created a multiyear financial plan that would substantially aid in planning City operations. Additionally, estimated revenues appear to be underestimated in the 2015-16 budget by approximately \$1 million, which likely will increase fund balance during the ensuing year.

A reasonable amount of unrestricted fund balance should be retained from year to year to mitigate current and future risks and ensure the continuation of essential services during fiscal downturns. A best practice for managing fund balance would be for the Council to adopt a policy that would establish what is considered an adequate level of fund balance to be maintained and how to maintain that level to

² Fund balance represents the resources remaining from prior fiscal years that can potentially be used to lower property taxes, be retained at reasonable levels to manage unexpected costs or be set aside in reserve accounts to finance future costs for a variety of specified objects or purposes.

provide guidance to City officials during the annual budgeting process. In determining a reasonable amount of fund balance, City officials should consider factors such as the timing of receipts and disbursements and the volatility of some revenues and expenditures.

The Council has not established a policy or plan to guide officials in determining the amount of fund balance it deems to be reasonable or under what specific circumstances or in which manner excessive amounts of fund balance should be used. Possible uses include, but are not limited to, appropriating fund balance to lower the ensuing year's tax levy, establishing various reserves that could fund future equipment purchases or capital projects or helping to stabilize the tax levy in times of financial problems.

While City officials may believe it is prudent to accumulate such a significant amount of fund balance, in this instance, they appear to have accumulated fund balance beyond an amount reasonably necessary to address unexpected circumstances or unanticipated events. Maintaining fund balance at greater than reasonable levels contributes to real property tax levies that are higher than necessary because the excessive balance is not being used to fund operations. While the City has appropriated approximately \$200,000 of these funds to be used as a financing source in the 2015-16 budget, this nominal appropriation will have little effect on the excessive amount of fund balance the City has accumulated.

The excessive fund balance was caused primarily by factors outside City officials' control. In October 2010, seven months into the fiscal year, City officials learned the casino revenues they were anticipating would not be received because of a dispute³ between the State and the Nation. At this time, officials did not know if this funding would be restored in the future. City officials had planned on using these funds to finance approximately 50 percent of general fund operations. As a result, in 2010-11 City officials reduced spending by approximately \$800,000, or 10 percent,⁴ by suspending certain non-essential programs such as staff training, equipment upgrades and recreational programs. The Council also authorized the Mayor to eliminate 18 full-time and 31 part-time positions from the budget.

For the 2011-12 through 2013-14 fiscal years, the Council continued to adopt budgets with significantly reduced appropriations. In June 2013, the State and the Nation resolved their dispute and the City received a retroactive payment totaling approximately \$10 million⁵ in October

³ The dispute between the Nation and the State concerned the exclusivity of gaming rights of the Nation.

⁴ The original budgeted appropriations for 2010-11 totaled \$8.1 million, with actual reported expenditures totaling \$7.3 million.

⁵ The City received \$20.5 million of which \$5.7 million was payable to the District for its portion of the casino compact funding and \$4.8 million was payable to the City's economic development fund.

2013. This sudden cash inflow resulted in an unplanned \$11.6 million operating surplus during 2013-14 and significantly increased fund balance.

Furthermore, unrestricted fund balance was significantly understated as of March 31, 2015 because the Comptroller did not apply for the casino revenues owed to the City⁶ for 2014-15 in a timely manner. Had the Comptroller applied for these funds, the City would have received an additional \$3.5 million in revenues during 2014-15 and the general fund's unrestricted fund balance would have increased to approximately \$14.5 million, or more than 174 percent of the 2015-16 budget.

The Comptroller stated that she was overwhelmed by ongoing audits⁷ and did not have enough time to apply for these funds. The Comptroller also had not applied for casino revenues for the first three months of 2015-16. Had the Council reviewed a cash flow analysis, it may have been made aware that casino revenues were not being received. A cash flow analysis is an important tool for monitoring financial condition and identifying cash shortfalls. Such an analysis is a record of actual and projected cash inflows and outflows within an accounting period.

Before completing our fieldwork (in July 2015), the Council instructed⁸ the Comptroller to apply for this revenue. As a result, the City received a total of \$6.1 million in August 2015, which included the \$1.3 million share of casino revenue due to the District, the City's \$3.7 million share for 2014-15 and the City's \$1.1 million share for 2015-16. The addition of these funds to the already significant amount of unrestricted general fund balance further emphasizes the need to adopt a formalized plan for their use. However, the Council has not yet developed a comprehensive multiyear financial and capital plan. A comprehensive plan can help City officials identify the potential effect of financial decisions and identify uses for the significant amount of fund balance that has been accumulated.

Although City officials indicated that equipment and capital improvements are discussed each year during the budget preparation cycle, they did not have formalized, written long-term operating plans to define the use of operating funds or the surplus fund balance or require the Comptroller to prepare a cash flow analysis. Such a plan could include funding future capital needs, providing a way to solicit

⁶ The District and County are also eligible to receive a portion of the casino revenues but cannot receive these funds until the Comptroller applies for them.

⁷ Our audit and the City's external audit were ongoing at the time. However, both audits were conducted after the relevant application due dates.

⁸ At a special meeting of the Council held on July 7, 2015

public input or establishing practical goals to manage fiscal changes over time. For example, the Council could identify planned capital improvements or equipment acquisitions for which capital reserves could be legally established to provide long-term funding.

Although the temporary loss of casino revenues and their subsequent restoration in the form of a \$10 million retroactive payment significantly increased fund balance during 2013-14, City officials' recent budgeting practices have continued to cause fund balance to increase. For example, revenue estimates in the 2014-15 budget were underestimated by approximately \$3.5 million, or 30 percent. Had the Comptroller applied for the City's share of casino revenues in a timely manner, actual revenues would have been approximately \$3.5 million more than budget estimates and the general fund would have incurred an operating surplus of approximately \$3 million.

The trend of underestimating revenues appears to have continued into the 2015-16 budget. In fact, total estimated revenues remained considerably less than past actual revenues. We found that estimated revenues in the 2015-16 budget totaled approximately \$8.3 million, while average revenues reported for the 2010-11 through 2014-15 fiscal years total approximately \$9.2 million per year. We estimate that unrestricted fund balance will continue to increase at the end of 2015-16 because estimated revenues in the adopted 2015-16 budget were underestimated by approximately \$1 million. This is significant considering that the 2015-16 budgeted tax levy was also approximately \$1 million.

Although City officials may not have been able to control the circumstances leading up to the significant accumulation of fund balance, they are responsible for ensuring the resources accumulated are used effectively and in a transparent manner. Sound budgeting practices combined with a comprehensive financial plan for the City over a three- to-five year period will enable officials to assess various approaches to financial issues, such as the use of fund balance to finance operations or fund reserves for future expenditures.

Recommendations

The Council should:

1. Develop and adopt a fund balance policy which establishes limits on unrestricted fund balance, stipulates how funds exceeding these limits will be used and addresses the establishment and use of reserves.
2. Develop and implement a plan for using the significant amount of unrestricted fund balance identified in this report. Such uses could include, but are not limited to:

- Reducing property taxes.
 - Funding legally established reserves.
 - Financing one-time expenditures .
3. Develop and regularly monitor a comprehensive multiyear financial and capital plan.
 4. Adopt budgets that include realistic revenue estimates.

The Comptroller should:

5. Prepare monthly cash flow statements and present them to the Council.
6. Apply for casino revenues in a timely manner.

Unenforced Receivables

The Council is responsible for adopting policies and procedures for collecting all revenue due the City. This includes providing a mechanism for department heads to actively pursue any unpaid amounts. The Comptroller is required to collect overdue accounts as directed by the Council and enforce all delinquent real property taxes payments as detailed in the City charter.

The charter, and local laws amending the charter, detail specific procedures and requirements the Comptroller must follow when property taxes remain unpaid. The Council is responsible for overseeing the Comptroller in her efforts to enforce and collect unpaid taxes. Absent clear detailed requirements for the collection of other revenues within the charter, the Council should create written policies and procedures regarding the enforcement of unpaid amounts due the City. These policies, at a minimum, should include provisions for enforcing delinquent accounts in a timely manner and requiring Council approval for all write-offs or adjustments before they are made.

City officials are not effectively collecting overdue property taxes or ambulance service charges. The Comptroller failed to follow the procedures set forth in the charter, and local laws amending the charter, regarding the enforcement of unpaid property taxes. As a result, the Comptroller added more than 400 properties with delinquent taxes totaling more than \$560,000 to the City's tax pending list (TPL), possibly delaying revenue collection. The Comptroller also did not initiate property seizure proceedings on 26 properties as required. Further, the Council did not adopt policies and procedures for enforcing and collecting overdue ambulance service charges, which allowed the Comptroller to write off more than \$350,000 in uncollected charges without its prior review or approval. As a result, funds may not be collected and available to finance City operations.

Delinquent Property Taxes

The charter and local laws detail specific procedures for the sale of real property by the Comptroller when real property taxes are left unpaid at year-end, to ensure tax revenues are collected in a timely manner and act as a deterrent against the non-payment. The Council may, by resolution, waive the requirement to sell the properties with delinquent taxes and instead place the properties on the TPL. Property owners are then given another year in which to make full payment. If payment is not received within the year, the Comptroller obtains Council approval to execute a deed transferring property ownership to the City.

The Comptroller did not enforce collection of overdue property tax payments in a timely manner or follow the tax enforcement procedures prescribed by the charter. While the Comptroller generally notified individuals of the amount of delinquent real property taxes, she did not obtain Council authorization before adding 414 properties with unpaid taxes totaling \$561,024⁹ to the TPL. She also did not initiate title transfer procedures on 26 eligible properties with unpaid taxes totaling approximately \$55,000 as of December 31, 2013.

The Comptroller told us she had not enforced unpaid taxes properly because she was unaware of the specific charter or local law requirements. She further indicated she discussed properties eligible to be transferred to the City with the former Mayor but this information was not relayed to the Council. Therefore, no formal action was taken.

Adding properties to the TPL without Council authorization impedes the Comptroller's ability to initiate title transfer procedures on these properties in a timely manner because it extends the time to complete the process.

Ambulance Service Charges

Ambulance service charges can be an important part of financing City operations and amounted to 6 percent of total revenues, or almost \$450,000, during 2014-15. Uncollected charges can add up quickly and should not be written off without first exhausting all potential avenues of collection. To maximize the success of the collection process, the Council should adopt comprehensive policies and procedures for monitoring and collecting delinquent ambulance service charges. These policies and procedures should include, but are not limited to, provisions for enforcing delinquent accounts in a timely manner, including Council review and approval for all billing adjustments and write-offs before such billing adjustments are made.

The Council has not adopted comprehensive policies and procedures for ambulance service charge collection. As a result, City officials did not attempt to collect overdue ambulance service charges and the Comptroller wrote off more than \$350,000 in overdue ambulance service charges without Council authorization.

For the fiscal year ending March 31, 2015, the City reported ambulance service charge collections totaling approximately \$450,000 with approximately \$80,000 written off as uncollectible. The City has engaged the services of a service provider (provider) for billing, collecting and depositing ambulance service charges as specified by the terms of a written service agreement (agreement).

⁹ This consisted of 190 unpaid property taxes totaling \$271,641 added to the 2013 TPL and 224 unpaid property taxes totaling \$289,383 added to the 2014 TPL.

After the City Fire Department responds to an ambulance call, Department officials complete a patient care report detailing the service provided. This report is delivered to the Comptroller’s office where it is copied and sent to the provider for processing, billing and collecting of service fees based on Council-approved billing rates. In accordance with the agreement, the provider prepares monthly billing and collection reports for the Comptroller’s review.

We reviewed these reports for the period April 1, 2013 through May 31, 2015 to determine the amounts billed and subsequently identified as uncollectible and written off, as shown on the provider’s collection records.¹⁰ The provider wrote off approximately \$350,000, or 27 percent, of total net charges billed as uncollectible, as shown in Figure 1.

Figure 1: Summary of Ambulance Service Charges

Fiscal Year	Billable Calls	Billed Charges	Discounts and Adjustments ^a	Net Billed Charges	Amounts Written Off	Percentage of Net Billed Charges Written Off
2013-14	1,047	\$1,086,211	(\$489,147)	\$597,064	\$270,819	45%
2014-15	1,012	\$1,053,548	(\$445,508)	\$608,040	\$80,933	13%
2015-16 ^b	172	\$181,264	(\$83,125)	\$98,139	\$25	<1%
Total	2,231	\$2,321,023	(\$1,017,780)	\$1,303,243	\$351,777	27%

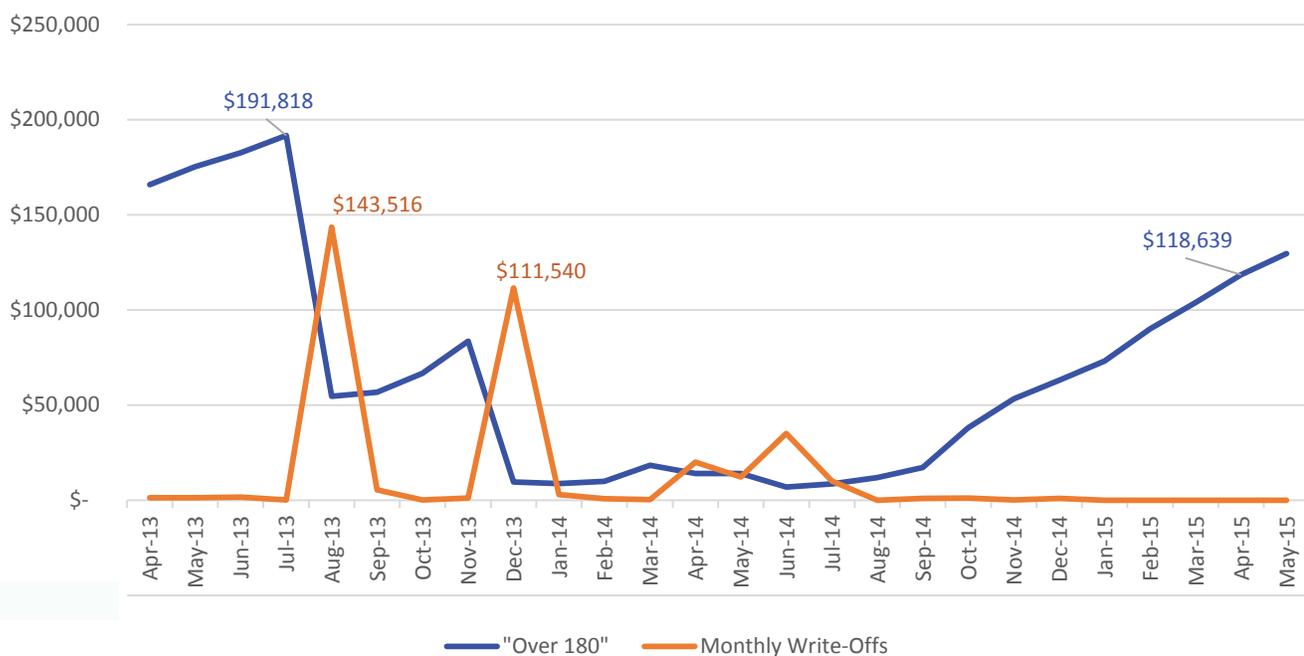
^a Includes reductions to amounts billed for quick payments by insurance companies or mandated adjustments to amounts billed to Medicaid and Medicare
^b Includes April and May 2015

The agreement does not require the provider to enforce or pursue payment on overdue accounts. However, City officials were not attempting to collect or enforce past due amounts either. Instead, once the provider identified an account as uncollectible, the Comptroller wrote off these accounts from the City’s collection records without Council authorization. The Comptroller indicated she was unaware of the reasons for not pursuing uncollected ambulance charges and she was simply processing write-offs as the provider instructed.

Even though it appears the amount of unauthorized write-offs decreased, suggesting a higher collection percentage, Figure 2 shows that accounts more than 180 days past due increased significantly with a corresponding decline in write-offs. This indicates that even more significant write-offs may be processed by the Comptroller, which further adds to a potential revenue loss.

¹⁰ According to the provider, as a standard operating policy, the patient receives at least two billing notices approximately 30 days apart. If service charges remain unpaid after these notices are mailed, the account is placed on a “no-pay” schedule. The unpaid amount is written off on the provider’s collection records approximately 30 days after the second notice if the patient has not contacted the provider.

Figure 2 - Aging Accounts vs. Write-Offs



The Council did not adopt policies and procedures or provide adequate oversight of the Comptroller to ensure she was performing all her required duties. As a result, the likelihood of collecting unpaid amounts from property taxes in a timely manner has significantly decreased. Further, by writing off uncollected ambulance service charges without attempting collections, the Comptroller has lost revenue for the City. When revenue collection is not properly enforced, the availability of resources that could be used to finance operations or reduce City taxpayers' property tax burden is diminished.

Recommendations

The Council should:

7. Periodically review the Comptroller's work to ensure charter requirements are being met with respect to enforcing unpaid real property taxes.
8. Adopt written policies and procedures that specifically address collecting unpaid ambulance charges. These policies and procedures should include, at a minimum, provisions for enforcing delinquent accounts in a timely manner and requiring prior Council approval for all write-offs or adjustments.

The Comptroller should:

9. Familiarize herself with and perform the duties of the Comptroller's office as outlined in the charter.

APPENDIX A

RESPONSE FROM CITY OFFICIALS

The City officials' response to this audit can be found on the following pages.

CITY OF SALAMANCA



e-mail: rball@salmun.com
www.salmun.com

Office of the Mayor
225 Wildwood Ave. • Salamanca, NY 14779

Ronald S. Ball
(716) 945-3110
Fax (716) 945-4809

February 10, 2016

Office of the State Comptroller
Buffalo Regional Office
c/o Jeffrey Mazula
295 Main St. Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula:

I would like to thank your audit team for the time spent in auditing the Financial Activities of the City of Salamanca. The auditor was very professional, patient and helpful. He was very knowledgeable and was able to answer any questions that we had. Please consider this letter as the City's response to the findings and recommendations from that audit report.

After reviewing the results of the audit, we realize that there are several areas that need to be addressed. First, we are in agreement that a comprehensive multi-year financial and capital plan needs to be implemented. Secondly, although we understand the concerns about our current fund balance, we feel it necessary to mention that this has only been a concern within the last couple of years. Our City receives 99h Tribal Compact monies from the State. Because of concerns between the State and the Seneca Nation, the City was not in receipt of these funds for several years. Because we relied heavily on that money to keep the City going, without it the fund balance was minimal. The differences over the Casino Compact have since been resolved and the funding started coming back to the City in October of 2013, at which time we received a large settlement to cover the monies owed from previous years. This is the reason for the large fund balance currently. Now that the Casino Compact funding is coming in on a regular basis, we do realize that it is now necessary to adopt a formal comprehensive fund balance policy.

We are also in agreement with the findings that we need to put procedures in place for the collection of overdue property taxes and then make sure that those policies are then enforced.

The City is aware that there are a large number of ambulance charges that are being written off every month. However a big portion of these charges are because they are Medicare or Medicaid billings. That being said, we do see a need to look into options that would help us be more forceful in the collection of the ones that are able to be collected.

See
Note 1
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We understand that a corrective action plan is due within 90 days from the release of the auditor's report. We are working diligently on this to make sure that we are addressing, or have addressed, all of the issues contained in that report.

Thank you for your time.

Sincerely:

Ronald S. Ball
Mayor, City of Salamanca

APPENDIX B

OSC COMMENT ON THE CITY'S RESPONSE

Note 1

Medicaid and Medicare write-offs accounted for approximately \$100,000, or 29 percent of the bills written off by the Comptroller.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective and obtain valid audit evidence, we performed the following procedures:

Financial Condition

- We interviewed City officials to gain an understanding of their financial management operations, including the budgeting process and multiyear planning.
- We reviewed the charter for directives concerning the use and accumulation of fund balance.
- We interviewed officials and reviewed adopted budgets to determine if City officials took any budgetary action when faced with a significant reduction in casino revenues.
- We reviewed audited financial statements and City financial reports to determine fund balance trends within the general fund.
- We reviewed casino compact funding requests, collection records and bank statements to confirm the application and receipt of casino revenues.

Unenforced Receivables

- We interviewed City officials to gain an understanding of their operations regarding the collection process for unpaid real property taxes and ambulance service charges.
- We reviewed the charter for directives on the collection process for unpaid real property taxes and ambulance service charges.
- We reviewed City tax collection records to determine the amount of real property taxes pending as of March 31, 2015.
- We interviewed City officials and reviewed Council minutes for the approval of taxes being added to the TPL and the approval of unpaid ambulance services being written off.
- We interviewed the service provider preparing ambulance service bills and collecting service fees and reviewed the written service agreement between the City and the provider to determine the duties to be performed relating to unpaid ambulance fees.
- We reviewed monthly ambulance billing reports and City financial records to determine the amount of ambulance services billed, collected and written off by the provider and the City. We used this information to summarize the aging cycle of uncollected accounts.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX D

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