



**THOMAS P. DiNAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**GABRIEL F. DEYO**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

May 1, 2015

John C Tkazyik, Mayor  
Members of the City Council  
City of Poughkeepsie  
62 Civic Center Plaza  
Poughkeepsie, NY 12601

Report Number: 2013M-30-F

Dear Mayor Tkazyik and Members of the City Council:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage city officials to reduce costs, improve service delivery and account for and protect cities assets. In accordance with these objectives, we conducted an audit of the City of Poughkeepsie (City) to assess the City's financial operations. As a result of our audit, we issued a report in May 2013, identifying certain conditions and opportunities for City management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the City on January 26, 2015 to review the City's progress in implementing our recommendations. Our follow-up review was limited to interviews with City personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the City has made some improvements. Of the seven audit recommendations, three recommendations were fully implemented and three recommendations were partially implemented. One recommendation was not implemented.

### **Recommendation 1 – General Fund Deficit**

The Council should take steps to reduce the deficit in the general fund.

Status of Corrective Action: Fully Implemented

Observations/Findings: Based on the 2013 audited financial statements, the City had a general fund operating surplus of \$813,801 and the general fund deficit was reduced by \$689,995. Financial results included one-time revenues totaling \$1,733,825 from the sale of two properties. The City Administrator stated that the City is in the process of developing a multiyear financial plan with the assistance of an external financial advisor to further reduce the general fund deficit.

This plan may include funding from the State's Financial Restructuring Board and will include an analysis of revenues and expenditures.

### **Recommendation 2 – Budget**

The Council should require the Mayor to prepare a realistic budget, based on the prior year's actual results, for the Council to approve and monitor throughout the year.

Status of Corrective Action: Partially Implemented

Observations/Findings: The City's 2015 adopted budget does not appear to be realistic. The Mayor's original 2015 budget appeared to be structurally balanced based on the prior year's actual results; however, the Council passed a resolution to amend the general fund portion of that budget by increasing appropriations by approximately \$328,000. The Council balanced the budget by adding \$1 million in revenues for the sale of property. The Mayor vetoed the Council's resolution stating that he believed that the amount of increased revenue was unrealistic. The Council then overrode the Mayor's veto. If the \$1 million revenue is not realized, the City could face a significant deficit in 2015.

### **Recommendation 3 – Debt**

The Council should evaluate the City's debt and develop a comprehensive plan to reduce the outstanding debt.

Status of Corrective Action: Fully Implemented

Observations/Findings: The City's debt has decreased from \$75,289,649 in 2010 to \$62,682,211 at the end of 2014. In addition, the Council has adopted a five-year capital plan that includes \$85,560,000 for equipment and infrastructure improvements for 2015 through 2019. The City intends to fund these improvements through budgetary appropriations, bonding, State aid and federal aid. It is expected that the City's overall debt will be reduced as a result of this plan.

### **Recommendation 4 – Interfund Loans**

The Council should authorize all interfund loans prior to such transfers occurring, require that proper records are maintained for all interfund loans and ensure that all interfund loans are repaid by the end of the fiscal year.

Status of Corrective Action: Not Implemented

Observations/Findings: The Council does not authorize interfund loans prior to such transactions occurring and proper records are not maintained for all interfund loans. According to the 2013 "Due To/ Due From Report," several funds showed that money was due to/due from an unspecified fund. City officials stated that the balances on the "Due To/Due From Report" are for normal (ordinary) financial purposes, meaning they are accumulations of weekly transaction processes used by the City's financial system to allocate payroll and immediate expenditures such as health

insurance payments, workers' compensation expenses, daily material and supplies, utility expenditures, etc., across funds. They stated that the balances are not related to specific individual loans between funds. However, the City's audited financial statements reported a total of \$6.2 million "Due From Other Funds" that was not repaid as of December 31, 2013. The interfund loans do not appear to be just for normal financial purposes and are not repaid by the end of the fiscal year.

### **Recommendation 5 – Financial Reports**

The Council should require the Mayor and Commissioner to prepare periodic and timely reports for the Council. The Council should use such reports to assess the City's financial position in order to make informed financial decisions.

Status of Corrective Action: Fully Implemented

Observations/Findings: One of the Council members said that the Council members receive monthly financial (budget performance) reports that are useful for making informed financial decisions. We reviewed the January 2014 through November 2014 monthly budget performance reports. The reported amounts were categorized as adopted budget, amended budget, current month transactions, year-to-date encumbrances, year-to-date transactions and percentage used/received for the general, water, sewer and sanitation fund.

### **Recommendation 6 – Financial Statements**

The Council should require the Commissioner to provide timely audited financial statements in order to assist in making informed financial decisions.

Status of Corrective Action: Partially Implemented

Observations/Findings: The City engaged an independent auditor to prepare the 2012 and 2013 audited financial statements in January 2013 and October 2013. As a result, the Council received the audited financial statements for 2012 and 2013 in October 2013 and October 2014, respectively. Although the Council received the audited financial statements prior to the adoption of the subsequent years' budgets, they were not received until almost a year after the end of the fiscal year to which they pertained. Had they been received sooner, such as within 60 days after the close of the fiscal year, they could have been used for making informed financial decisions in a more timely manner.

### **Recommendation 7 – Financial Policies**

The Council should adopt financial policies pertaining to fund balance and interfund transfers.

Status of Corrective Action: Partially Implemented

Observations/Findings: On June 17, 2013, the Council adopted an interfund transfer policy; however, the Council has not adopted a policy pertaining to fund balance.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Ms. Tenneh Blamah, Chief Examiner of our Newburgh Regional Office at (845) 567-0858.

Sincerely,

Gabriel F. Deyo  
Deputy Comptroller