

# **NASSAU COUNTY**

## **NEW YORK**

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### **Review of**

# **Town of Hempstead**

# **Sanitary District No. 7**

**Budgeting and Financial Management**

**March 2023**



**ELAINE PHILLIPS**

**Nassau County Comptroller**



**Review of Town of Hempstead  
Sanitary District No. 7  
Budgeting and Financial Management**

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**Elaine Phillips**  
Nassau County Comptroller

**Jeffrey Schoen**  
Deputy Comptroller

**Wendy L. Goldstein, MPA**  
Director of Communications

**Elizabeth Hill**  
Deputy Comptroller

**Melissa Marciano**  
Assistant Director of Communications

**Beaumont Jefferson**  
Deputy Comptroller

**Audit Staff**

**JoAnn Greene, MBA, CPA**  
Field Audit Director

**Aurora Scifo, CPA**  
Assistant Field Audit Director

**Blaine Griffin**  
Audit Supervisor

**Christopher Goodwin**  
Auditor

**Lawrence Zaino, Jr.**  
Auditor

## Report Highlights

### OBJECTIVES

To determine whether Town of Hempstead Sanitary District No. 7 (District) has effectively managed its budget and finances.

### KEY FINDINGS

The District did not:

- Establish policies and procedures for the management of the District's budget, reserve funds and fund balance;
- Routinely monitor budget-to-actual activity and initiate budget transfers on a timely basis, which contributed to multiple years of operating losses;
- Maintain consistent financial data in District reports and the District's accounting system;
- Have prior year audited financial statements available to assist in preparing the budget; and
- Adopt structurally balanced budgets or appropriately use fund balance to pay for recurring operating expenditures.

This audit did not review or identify any issues with the adequacy of the curbside garbage collection services being provided.

### KEY RECOMMENDATIONS

The District should:

- Develop written budget, reserve fund and fund balance policies;
- Monitor budget-to-actual activity throughout the fiscal year to stay within annual budgetary limits and address variances through budget transfers when needed;
- Develop and adopt a method to record, maintain and report financial information in a consistent matter;
- Have prior year audited financial statements completed within four months of the close of the fiscal year so that this information is available to assist in developing the budget; and
- Maintain a properly sized fund balance and avoid reliance on Unassigned Fund Balance to close revenue gaps.

### BACKGROUND

Town of Hempstead Sanitary District No. 7 is a special improvement district. The District provides curbside garbage collection, recycling, and special pick-up services to more than 13,000 households and 950 businesses throughout Oceanside and parts of Baldwin and East Rockaway.

The District is governed by an independently elected, five-member Board of Commissioners (Board). The Board is responsible for establishing and overseeing the District's policies and procedures, the annual budget, and the District's fiscal and day-to-day operations.

The District operating revenues are derived primarily from real property taxes.

Operating results from 2018 to 2021 were:

2018	\$105,093 surplus
2019	\$98,256 deficit
2020	\$769,779 deficit
2021	\$357,932 deficit

**The District generally agreed with the audit findings and found the recommendations to be appropriate and important to implement.**

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## Background

Town of Hempstead Sanitary District No. 7 (District) is a special improvement district established in 1931. The District office is located at 90 Mott Street in Oceanside. The District provides curbside garbage collection, recycling and special pick-up services, to more than 13,000 households and 950 businesses in Oceanside and parts of Baldwin and East Rockaway.

The District is governed by an elected five-member Board of Commissioners (Board). The Board is responsible for establishing and overseeing the District's policies and procedures, annual budget, and its fiscal and day-to-day operations. The Commissioners are elected to staggered five-year terms and are entitled to \$7,500 each per year for their services.

The District's primary operating revenue is from real property taxes. Total District revenues and expenditures from 2018 to 2021 are shown in the chart below:

<b>Revenues &amp; Expenditures 2018 - 2021</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Revenues</b>	\$8,792,956	\$9,415,033	\$9,122,457	\$9,042,206
<b>Expenditures</b>	\$8,687,863	\$9,513,289	\$9,892,236	\$9,400,138
<b>Operating Results</b>	<u>\$105,093</u>	<u>(\$98,256)</u>	<u>(\$769,779)</u>	<u>(\$357,932)</u>

Source: District's financial statements for the years ended December 31, 2018, 2019, 2020 and 2021.  
Note: All figures rounded to the nearest whole number.

Employee salaries and benefits represented, on average, 85% of total District expenditures from 2018 to 2021. Other District expenses included operations such as vehicle maintenance, parts and fuel, and personal services.

The District operates financially on a calendar year (January 1<sup>st</sup> to December 31<sup>st</sup>) basis. The District formulates its budget in the following manner:

- In or around June, after the annual commissioner elections, the District's Budget Committee prepares a preliminary budget for the following year;
- In or around September, this preliminary budget should be voted on and approved by the Board of Commissioners;
- Upon Board approval, the budget is then presented to the Town of Hempstead Board for review and approval; and then
- In or around October, the Town of Hempstead Board reviews the budget, suggests any changes deemed necessary, and approves the budget; this approval creates the District's Town of Hempstead Board Approved Adopted Budget (Adopted Budget).

## Audit Findings

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### **How Should the Board Effectively Manage its Budget and Finances?**

The District Board is responsible for developing and adopting a budget policy that clearly defines the District's financial goals. The budget policy should be aimed at and include a framework for achieving and maintaining a structurally balanced budget where recurring revenues are equal to recurring expenditures in the adopted budget. The Board should continuously monitor actual revenues and expenditures to identify variances and take appropriate actions to address deficits.

According to the District's Bylaws, the District's Budget Committee, whose members are appointed by the Board Chairman, is typically assigned the responsibility of:

- preparing the annual budget;
- reviewing, inspecting and approving payment for all District expenditures; and
- reviewing, analyzing and making recommendations regarding the District's finances.

To prepare a structurally balanced budget, the Board should use revenue and expenditure estimates that are reasonable and based on historical data and/or known trends. The tax levy should be established to sufficiently meet the operational needs of the District to provide appropriate services to the constituents.

In developing a balanced budget, the Board should budget for reserves. Reserve funds provide a legal mechanism for saving money to finance all or part of intended future expenditures such as infrastructure and equipment. The Board should adopt a written reserve fund policy that communicates to taxpayers why money is being held in reserve, the intent for the reserve funds, the ideal funding levels for these reserves and how it will meet these funding levels.

Additionally, it is essential that governments maintain adequate levels of Fund Balance to mitigate present and future risks.

Fund Balance is the total accumulation of operating surpluses and deficits since the beginning of a local government's existence ( $\text{Assets} - \text{Liabilities} = \text{Fund Balance}$ ). As stated in the District's audited financial statements, the District utilizes the following classifications of Fund Balance:

- Nonspendable – consist of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – consists of amounts that are restricted to specific purposes. Amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balances, generally referred to as reserves in accordance with State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or vote. For example, the District has an Employee Benefit Accrued Liability Reserve to use reserve funds for accrued employee benefits based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon terminations of the employee's service.

## Audit Findings

- Assigned – consists of amounts that are constrained to a specific purpose established by the District’s Board. The purpose of the assignment must be narrower than the purpose of the general fund.
  - Assigned Appropriated Fund Balance – includes an amount appropriated to partially fund the subsequent year’s budget.
  - Assigned Unappropriated Fund Balance – includes unappropriated amounts for:
    - Year-End Open Encumbrances for the purchases of equipment and repairs;
    - Other Postemployment Benefits; and
    - Future building and land repairs.
- Unassigned – represents the residual classification for the District’s general fund and could report a surplus or deficit. This classification represents fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund.

The difference between the total fund balance and the sum of the nonspendable and restricted fund balances is termed “Unrestricted Fund Balance.” Unrestricted Fund Balance represents the portion of the fund balance that is not legally restricted and can be spent however the government chooses.

The District’s Fund Balance from 2018-2021 as reported in their audited financial statements is shown in the chart below.

<b>District Fund Balance Classifications 2018 - 2021</b>				
<b>General Fund Balance</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Nonspendable</b>	<b>\$747,496</b>	<b>\$280,760</b>	<b>\$468,865</b>	<b>\$566,835</b>
<b>Restricted</b>	<b>\$1,148,769</b>	<b>\$847,161</b>	<b>\$847,161</b>	<b>\$847,161</b>
<b>Assigned Appropriated</b>	<b>\$47,374</b>	<b>\$157,324</b>	<b>\$200,000</b>	<b>\$777,454</b>
<b>Assigned Unappropriated</b>				
Year End Open Encumbrances	\$568,380	\$11,953	\$0	\$0
Post Employment Benefits	\$50,099	\$50,099	\$50,099	\$50,099
Future Building and Land Repairs	\$1,236,900	\$1,158,502	\$1,158,502	\$1,163,668
<b>Total Assigned Unappropriated</b>	<b>\$1,855,379</b>	<b>\$1,220,554</b>	<b>\$1,208,601</b>	<b>\$1,213,767</b>
<b>Unassigned</b>	<b>\$1,722,921</b>	<b>\$2,917,884</b>	<b>\$1,929,277</b>	<b>\$890,755</b>
<b>Total Fund Balance</b>	<b>\$5,521,939</b>	<b>\$5,423,683</b>	<b>\$4,653,904</b>	<b>\$4,295,972</b>

Note: Figures rounded to nearest whole dollar amount.

NYS law gives the Board authority to carry over a “reasonable amount” of fund balance from one year to the next. The District must assess what would be considered “reasonable” for its particular situation. The Government Finance Officers Association (GFOA) recommends that unrestricted budgetary fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures should be maintained. For the District this would be approximately \$1.6 million.

## Audit Findings

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### Finding 1

#### No Written Policies

*The Board did not establish budget, reserve fund and fund balance policies.*

The Board has not developed or adopted a written budget policy. Similarly, the Board has not developed or adopted comprehensive reserve fund and fund balance policies. Such policies should detail the District's financial goals, appropriate fund uses, funding levels, and plans for the periodic review of reserve funds and fund balance. Without such policies the Board lacks the guidelines it needs to properly manage the District's fund balance, evaluate different approaches to funding its expenses, and to determine the tax levy.

### Finding 2

#### Lack of Board Oversight

*The Board did not routinely monitor budget-to-actual activity, initiate budget transfers, and maintain fund balances in the District's accounting system.*

##### Monitoring Budget-to-Actual Activity and Initiating Budget Transfers

Auditors discussed the oversight of budgetary status reports and the overall budget transfer procedures with the District's Budget Committee and District Treasurer. Auditors noted the following issues:

- The District's Board of Commissioners did not appear to be monitoring the District's budget-to-actual activity. The District did not proactively initiate budget transfers to stay within the limits of the Adopted Budget or appropriate fund balance to increase their budget in a timely manner.
- Budget amendments were not made routinely throughout the current fiscal year (i.e., monthly) to address unfavorable budget-to-actual variances. No budget transfers or appropriations of fund balance were documented in any meeting minutes during 2018 and 2021. During 2019 and 2020, the majority of transfers documented in the minutes were for the preceding fiscal year.
- The District did not maintain a comprehensive journal to document budget transfers made throughout the fiscal year.
- In the limited circumstances where budget transfers were approved through Board resolutions, the specifics of the transfers were not documented in any standardized manner. In many instances, the transfers resulted from memos received from Rynkar, Vail & Barrett, LLP (Rynkar) an accounting firm contracted by the Board to perform the Treasurer functions between December 2018 and May 2020; however, the reasons why funds were being transferred were not specified.



## Audit Findings

Overall, the Board's lack of timely corrective action to address unfavorable budget variances has contributed to operating deficits. As illustrated in the chart below, the District had an operating deficit in 2019, 2020 and 2021 and revenues were under budget in 2020 and 2021. If routine budgetary oversight had been performed, deficits may have been prevented or mitigated.

<b>Audited Financial Statements Compared to Adopted Budget</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Adopted Budget</b>				
Revenues	\$8,696,839	\$9,110,189	\$9,220,083	\$9,182,691
Expenditures	\$8,696,839	\$9,110,189	\$9,220,083	\$9,182,691
Revenues over/(under Expenditures)	\$0	\$0	\$0	\$0
<b>Audited Financial Statements</b>				
Revenues	\$8,792,956	\$9,415,033	\$9,122,457	\$9,042,206
Expenditures	\$8,687,863	\$9,513,289	\$9,892,236	\$9,400,138
Revenues over/(under Expenditures)	\$105,093	(\$98,256)	(\$769,779)	(\$357,932)
<b>Variance between Financial Statements and Adopted Budget</b>				
Revenues	\$96,117	\$304,844	-\$97,626	-\$140,485
Expenditures	(\$8,976)	\$403,100	\$672,153	\$217,447
Revenues over/(under Expenditures)	\$105,093	(\$98,256)	(\$769,779)	(\$357,932)

### Inaccurate Budget Information in the Audited Financial Statements

Auditors found that Final District Budgets, as published in each year's audited financial statements were inaccurate due to poor maintenance of the District's accounting records.

The Final Budget is the sum of the Adopted Budget and all amendments to budgetary line-item appropriations (i.e., inter-budgetary transfers and approved budget increases).

Auditors recalculated the District's Final Budgets for 2018 – 2020 based on the budget transfers and budget increases that were approved in the Board's meeting minutes. As shown in the chart below, these recalculated Final Budgets, when compared to the Final Budgets in the District's audited financial statements, revealed differences.

<b>Auditor Recalculation of Final Budget vs. Audited Financial Statements 2018 - 2020</b>					
<b>Year</b>	<b>Adopted Budget</b>	<b>Approved Budget Increases</b>	<b>Auditor Recalculated Final Budget</b>	<b>Final Budget in Audited Financial Statements</b>	<b>Difference Between Auditor Recalculation versus Audited Financial Statements</b>
<b>2018</b>	\$8,696,839	\$610,348	\$9,307,187	\$9,404,077	(\$96,890)
<b>2019</b>	\$9,110,189	\$63,886	\$9,174,075	\$10,052,381	(\$878,360)
<b>2020</b>	\$9,220,083	\$224,500	\$9,444,583	\$9,476,154	(\$31,571)

Source: District's Adopted Budgets for 2018 - 2021 and financial statements for the years ended December 31, 2018, 2019, 2020 and 2021. Note: (1) All figures rounded to the nearest whole dollar amounts; (2) 2018 increases approved in 2019.

## Audit Findings

Auditors questioned the District’s external auditing firm, EFPR Group, CPAs, PLLC (EFPR) regarding the information used to report the District’s Final Budget in the audited financial statements. EFPR responded that this information came from the District’s QuickBooks accounting system which was sent to them by the District Treasurer. EFPR noted that, as specified in their engagement letters with the District, EFPR did not provide any assurances on the information provided to them.

### Inconsistent Expenditure Data

The District records financial information in QuickBooks accounting software. Data from QuickBooks was used for the preparation of the District’s annual budgets, financial statements, and the filing of the District’s Annual Update Documents (AUD - a required financial report submitted to the New York State Comptroller).

Auditors reviewed the revenues and expenditures as presented in Profit and Loss Statement reports from QuickBooks and compared the figures to the Adopted Budgets, audited financial statements and AUDs.

This review found that revenues agreed in all instances where revenue data was available in Profit and Loss Statement reports from QuickBooks, the Adopted Budgets, the audited financial statements and AUDs. However, differences in expenditures were noted to exist amongst all four data sets. The chart below summarizes the expenditures in QuickBooks, the audited financial statements, the AUD and the Adopted Budget.

<b>Summary of Expenditures in QuickBooks, Audited Financial Statements AUD and Adopted Budgets 2018 - 2020</b>				
<b>Total Expenditures</b>	<b>Sources of Data</b>			
	<b>QuickBooks Profit &amp; Loss Statement</b>	<b>Audited Financial Statement</b>	<b>NYS AUD</b>	<b>Adopted Budget (Actuals)</b>
<b>2018</b>	\$ 8,687,864	\$ 8,687,863	\$ 8,834,223	\$ 8,588,224
<b>2019</b>	\$ 9,457,690	\$ 9,513,289	\$ 9,412,573	\$ 9,209,349
<b>2020</b>	\$ 9,702,236	\$ 9,892,236	\$ 9,892,236	\$ 9,704,470

Note: All figures have been rounded to the nearest whole dollar.

Auditors asked the current District Treasurer to explain the reason for these differences. The District Treasurer stated that such differences may be attributed to multiple factors including when the documents were initially created, when the District’s books were closed, when/if adjusting journal entries were booked and when the District’s annual financial records were finalized.

Auditors note that three different entities or individuals served as Treasurer for the District from January 2018 and December 2020, which increased the risk of inconsistencies in recording District transactions: The current District Treasurer was hired in May 2020; the previous Treasurer served the District for almost 30 years until December 2018; and, as previously noted, between December 2018 and May 2020, Rynkar performed the Treasurer role. The Board also contracted with Nawrocki Smith, LLP to serve as an internal auditor for the District.

## Audit Findings

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### Fund Balance Not Entered in the Accounting System

Auditors discussed the District's end of the year closing procedures with the District Treasurer, and noted that she did not close the District's books. Instead, this process was handled by Nawrocki Smith. The Treasurer explained that she prepared the year end workpapers, which were then reviewed by Nawrocki Smith. Suggested closing journal entries and expense accruals were prepared by Nawrocki Smith and the Treasurer posted these closing journal entries to the District's accounting system (QuickBooks).

During the review, Auditors noticed that the fund balance information in the District's QuickBooks file did not agree to the fund balance information in the District's audited financial statements for 2019 and 2020. When questioned about these differences, the District Treasurer stated that the District's fund balance had not been recorded in QuickBooks. Instead, fund balance was tracked outside of QuickBooks in a separate Microsoft Excel worksheet. The District Treasurer was not sure why this had been done and stated this was how she was taught to track the District's fund balance by Rynkar.

After this discussion between Auditors and the Treasurer, Nawrocki Smith was contacted by the Treasurer to reconcile the differences between QuickBooks and the financial statements. Adjusting entries were made to bring the District's QuickBooks file into conformity with the audited financial statements. However, at that time, a slight difference with the Unassigned Fund Balance remained and needed to be further investigated.

### **Finding 3**

#### **Prior Year Audited Financial Statement Not Available for Budget Preparation**

*The District did not have the Prior Year Audited Financial Statements available to assist in developing the next year's budget.*

Each year the District's budget for the next fiscal year was prepared from June-August for submission in September to the Town of Hempstead Board for their review and approval. However, the District did not have access to the District's financial statements for the preceding year when developing the budget because the financial statements have not historically been completed in a timely fashion.

In 2018, 2019 and 2020 the audited financial statements were all finalized approximately nine months or more after the District's fiscal year end (December 31<sup>st</sup>).

Using the 2022 budget preparation as an example, to prepare and adopt the 2022 budget for presentation to the Town of Hempstead Board by September 2021, the District should have access to the audited financial statements from the preceding year (i.e., 2020). However, the District did not finalize its 2020 audited financial statements until November 2021, rendering this information unavailable during the creation of the 2022 budget.

## Audit Findings

### Finding 4

#### Poor Fund Balance Management

*The District was not properly managing fund balance.*

It is important for the District to maintain a properly sized Fund Balance. As noted earlier, the Government Finance Officers Association (GFOA) recommends the maintenance of an unrestricted fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures; which is about \$1.6 million for the District.

The chart below shows the District's Unrestricted Fund Balance (Total Fund Balance less Non-spendable and Restricted) from 2018 – 2021.

Unrestricted Fund Balance 2018 - 2021				
	2018	2019	2020	2021
<b>Total Fund Balance</b>	<b>\$5,521,939</b>	<b>\$5,423,683</b>	<b>\$4,653,904</b>	<b>\$4,295,972</b>
<b>Nonspendable</b>	<b>\$747,496</b>	<b>\$280,760</b>	<b>\$468,865</b>	<b>\$566,835</b>
<b>Restricted</b>	<b>\$1,148,769</b>	<b>\$847,161</b>	<b>\$847,161</b>	<b>\$847,161</b>
<b>Unrestricted Fund Balance</b>	<b>\$3,625,674</b>	<b>\$4,295,762</b>	<b>\$3,337,878</b>	<b>\$2,881,976</b>

The District had deficits in each year from 2019 to 2021 (see the chart on page 1), utilizing Fund Balance in each year (see chart on page 3) to close the revenue gap. The District's ability to draw down Fund Balance to close revenue gaps may indicate that in prior years Unrestricted Fund Balance was oversized and that the tax levy was in excess of the needed revenues. As such the District's drawing down of fund balance rather than increasing taxes was a proper course to take. The District, however, should maintain a properly sized fund balance. With a properly sized Fund Balance the District should be able to budget sufficient revenues to cover expenses and not use the Fund balance to close the revenue gap, while still safeguarding for unanticipated expenditures or revenue shortfalls.

## Audit Findings

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### Audit Recommendations

**The District should:**

- a) Develop written budget, reserve fund and fund balance policies;**
- b) Monitor budget-to-actual activity throughout the fiscal year to stay within annual budgetary limits and address variances through budget transfers when needed;**
- c) Record and maintain fund balance in the District's accounting system;**
- d) Have prior year audited financial statements completed within four months of the close of the fiscal year, so that this information is available to assist developing the budget; and**
- e) Maintain a properly sized fund balance and avoid reliance on Unassigned Fund Balance to close revenue gaps.**

## **Glossary**

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**Fund Balance** – For purposes of financial condition analysis, the total accumulation of all operating surpluses and deficits since the beginning of a local government’s existence (Assets - Liabilities = Fund Balance).

### **Operating Results**

**Operating Deficit** – The result when total expenditures for the year exceed total revenues for an operating fund.

**Operating Surplus** – The result when total revenues for the year exceed total expenditures for an operating fund.

**Recurring Expenditures** – Expenditures made during the normal year-to-year operations of a local government.

**Recurring Revenues** – Revenues derived through the normal year-to-year operations of a local government. These do not include one-time revenues.

**Structurally Balanced Budget** – A budget that is structured to finance recurring expenditures with recurring revenues.

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## Appendix A - Audit Methodology

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The audit was conducted at the request of the Sanitary District No. 7 Board of Commissioners.

The audit objective was to determine whether Town of Hempstead Sanitary District No. 7 has effectively managed its budgeting process and fund balance.

The audit period was January 1, 2018 through December 31, 2021. However, in some instances, it was necessary for Auditors to review years prior to 2018 and/or forward to 2022, for either historical reference or to acquire additional information related to District operations.

To achieve the audit objective and obtain valid audit evidence, the audit procedures included the following:

1. Interviewed District personnel to gain an understanding of the District's budget, reserve fund and fund balance policies and procedures;
2. Discussed the oversight of budgetary status reports and the overall budget transfer procedures with the District's Budget Committee and District Treasurer and reviewed the District's Board meeting minutes for 2018 – 2021 regarding budget transfers;
3. Compared and reviewed the District's adopted budgets and financial statements for the years ended 2017 through 2021 (data available at time of fieldwork) and analyzed the results of operations;
4. Reviewed all District Board meeting minutes and created a list of all budget transfers for 2018 – 2021. Recalculated the District's Final Budget, by year, based on the budget transfers and budget increases that were approved in the Board's meeting minutes and compared the Recalculated Final Budget to the Final Budget reported in the District's audited financial statements to determine if the figures agreed;
5. Compared the total revenues and expenditures reported in the District's Adopted Budgets, QuickBooks files, audited financial statements and NYS AUDs, for 2018 – 2020 (data available at time of fieldwork), to determine if financial data was consistent amongst all reports;
6. Discussed the District's year-end financial closing process and accounting for fund balance with the District Treasurer and compared fund balance amounts noted in QuickBooks to the District's audited financial statements for 2018 – 2020;
7. Reviewed the District's financial statements to determine if they were filed timely;
8. Reviewed the District's Board Meeting Minutes and Town of Hempstead Adopted Budgets to develop a timeline for budget preparation and approval;
9. Analyzed and reviewed the District's labor agreements to determine their budgetary impacts; and

## **Appendix A - Audit Methodology**

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10. Reviewed the District's adopted budgets, accounting records and audited financial statements to analyze the District's use of fund balance for 2018 – 2022.

Samples for audit testing were selected based on professional judgment, as the intent was not to project the testing results onto the entire population. Data regarding the value and/or size of the relevant population and the sample selected for audit testing are specified where applicable.

We believe the review provides a reasonable basis for the findings and recommendations contained herein.

## Appendix B – District’s Response

(516) 766-8700

Fax: (516) 766-2430

# OCEANSIDE SANITATION DEPARTMENT



### COMMISSIONERS

Austin R. Graff  
John M. Mammone  
Joseph Samoles  
Patrick Doherty  
Sheryl Beckman

Sanitary District No. 7  
Town of Hempstead  
90 Mott Street  
Oceanside, N.Y. 11572

Hon. Elaine Phillips  
Nassau County Comptroller  
JoAnn Greene  
Director of Field Audit  
240 Old Country Road  
Mineola, NY 11501

March 13, 2023

RE: Town of Hempstead Sanitary District No. 7; Response to draft audit

We want to thank your office and your auditors for the hard work and dedication they showed looking at our District’s operations from an independent third party point of view. For far too long the District was run by a group of people who ran the District without regard for the taxpayers’ concerns and the concerns of the employees of the District, as was found in prior audits.

Unlike audits that were done in the past, this Board is taking the auditors’ recommendations very seriously.

This board believes the Comptrollers’ recommendations are appropriate, important to implement, and in some cases have already been implemented. If the recommendation has not already been implemented, it will be done so shortly by the District.

Once again we want to take this time to thank you for your time and assistance.

Best Regards,

  
John Mammone  
Chairman, TOH Sanitary District No.7

## Appendix B – District’s Response

(516) 766-8700

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# OCEANSIDE SANITATION DEPARTMENT



### COMMISSIONERS

Austin R. Graff  
John M. Mannone  
Joseph Samoles  
Patrick Doherty  
Sheryl Beckman

Sanitary District No. 7  
Town of Hempstead  
90 Mott Street  
Oceanside, N.Y. 11572

March 13, 2023

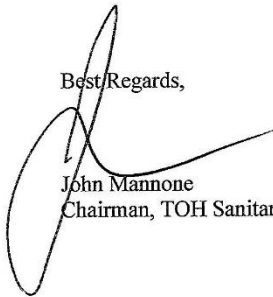
Response to Nassau County Audit, February 2023.  
RE: Budgeting and Financial Management

We agree with the summary of findings, and a process was already put in place during the audit process to address the anticipated findings/recommendations.

The Districts action plan to address these findings include:

- The District has developed written policies and procedures for budgeting and reserve fund balance.
- The District’s commissioners have been and will continue to monitor budget to actual activity on a monthly basis.
- The District always begin the prior year field work for auditing financials in January. The fieldwork is completed in a timely manner. The legal accruals are what have held back the timely audit completion and we are collaborating with all attorneys on improving this process.
- The District has been working towards maintaining the appropriate and legally-compliant fund balance. The Town of Hempstead Comptroller’s office has reviewed the District’s fund balance and has expressed their opinion that the District has the proper level of fund balance.

Best Regards,



John Mannone  
Chairman, TOH Sanitary District No. 7

## **Appendix C – Auditors’ Comments on District’s Response**

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The District generally agreed with the audit findings and found the recommendations to be appropriate and important to implement.

Auditors note that the District did not provide any specific details or supporting documentation to explain the corrective actions they purport to have taken or plan to take.

