

The Office of
SUSAN ALIBOZEK
City Clerk



AMSTERDAM, NY
SMALL CITY. BIG HEART.

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TO: Common Council
FROM: Susan Alibozek, City Clerk
DATE: December 26, 2012
RE: Committee of the Whole

Mayor Thane has called a Committee of the Whole Meeting for **Wednesday, January 2, 2013 at 6:30 p.m.** in the Common Council Chambers, 61 Church Street.

The purpose of this meeting is:

1. Discussion of Proposal for assistance to Controller by Darryl Purinton
2. Any other business to come before the committee

Cc: Media

Purinton & Morris CPA's, LLC
Accountants and Consultants

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December 18, 2012

Mayor and Other Members of the Common Council
City of Amsterdam
61 Church St.
Amsterdam, New York 12010

Dear Mayor and Other Members of the Common Council:

We are pleased to confirm our understanding of the services we are to provide the City of Amsterdam (the City). It is our understanding that the City desires to have us assist the Controller's office in the completion of the following tasks:

Bank Reconciliations

We will assist the City Controller in the completion of monthly bank reconciliations that reconcile the bank balance to the correct cash balance recorded in the general ledgers by fund or blended component unit. The months to be reconciled for each bank account will begin with the last month the bank reconciliations agree with the general ledgers by fund or blended component unit through the year ended June 30, 2012. It is our understanding the number of bank accounts, months to be reconciled, completeness of the records and the enforceable restrictions placed on cash deposits are not certain. There is a risk that all cash may not be accounted for and the uncertain items noted may not be corrected. We will not determine the completeness of the accounting for cash. The City Controller must assure current city cash deposits are properly collateralized and expended in accordance with restrictions. However, since the extent of our work will be to provide advisory and training services the number of issues encountered and not the number of months and bank accounts to be reconciled will influence the number of hours we will need for this task. Attached is a list of resources that must be provided by the City Controller to begin the task.

It is our understanding that 30 hours, i.e. \$5,250, is initially committed to the bank reconciliations task. If additional time is necessary or the scope of the task is expanded we will require the approval of the Common Council.

Capital Projects Accounting

We will assist the City Controller in the completion of the accounting for each capital project that is open as of June 30, 2011 and for the period ended June 30, 2012. It is our understanding the number of capital project funds, the extent of time a project has been open, the completeness of the records, the enforceable restrictions placed on cash deposits and compliance with state, federal and contract requirements are not certain. There is a risk that all projects may not be considered, some projects have significant unfunded deficits and the uncertain items noted may not be corrected. We will not determine the completeness of the capital projects accounting. The City Controller must assure current capital project cash is expended in accordance with restrictions and existing unfunded deficits are properly reported. Attached is a list of resources that must be provided by the City Controller to begin the task.

It is our understanding that 40 hours, i.e. \$7,000, is initially committed to the capital projects accounting task. If additional time is necessary or the scope of the task is expanded we will require the approval of the Common Council.

Schedule of Expenditure of Federal Awards (SEFA)

We will assist the City Controller in the preparation of the Schedule of Expenditure of Federal Awards for the year ended June 30, 2012. It is our understanding the number of federal programs, the nature of the federal assistance, the completeness of the records and compliance with state, federal and contract requirements are not certain. There is a risk that all federal award expenditures may not be included on the schedule and the uncertain items noted may not be corrected. We will not determine the completeness of the schedule. In addition, it is our understanding that the City Controller will present the schedule to an independent auditor as part of the City's responsibility to provide this information for completion of the City's Single Audit. The schedule will be distributed as part of the City's audited Single Audit report.

It is our understanding that 15 hours, i.e. \$2,625, is initially committed to the SEFA task. If additional time is necessary or the scope of the task is expanded we will require the approval of the Common Council.

Management is responsible for establishing and maintaining effective internal control and for compliance with the provisions of laws, regulations, contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with the Office of the State Comptroller's rules and regulations, i.e. Regulatory Basis of Accounting, and that federal award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us, including any significant vendor relationships in which the vendor has the responsibility for program/grant compliance. We understand that you will provide us with such information required for our engagement and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application, but the responsibility for the financial statements remains with you.

The following are certain important characteristics and limitations of our work:

1. We will not be independent of the City.
2. We will be in the position to perform management functions.
3. We will not perform any services or issue any reports to the City or any third party that would lead any user to believe we are acting independent of the City and/or are within the scope of any audit standards or other authoritative guidance associated with the profession of a CPA.

Our firm has adopted a records retention policy. After seven years, our documentation and files will no longer be available. Physical deterioration or catastrophic events may shorten the time during which our records will be available.

We would be pleased to consult with the Mayor, Other Members of the Common Council, or management at various times throughout the term of our engagement to discuss accounting, reimbursement, and other matters affecting the City. The Mayor, Other Members of the Common Council, Management should feel free to call on us at any time in this regard.

Our fee for these services will be based on the actual time spent at our standard hourly rates, which is presently \$175/hr for me. It is our understanding that the hours initially committed to this engagement have been detailed above by section of work. If additional time is necessary or the scope of the engagement is expanded we will require the approval of the Common Council. Invoices for the fee will be rendered each month as work progresses. We offer a 2% discount for all invoices paid by the 25th of the following month.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes the significant terms of our engagement. Our engagement with the City will be governed by the terms of this letter. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

Darryl L. Purinton, CPA, DABFA
Partner

Mayor and Other Members of the Common Council

December 18, 2012

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Accepted By:

This letter correctly sets forth the understanding of the City of Amsterdam.

City of Amsterdam _____ Client Name

_____ Authorized Officer

_____ Date

City of Amsterdam
List of Records Required

A. Bank Reconciliations

The following resources are necessary and, where applicable, from the month that the bank reconciliation agreed with the general ledger.

1. Bank statements, cancelled checks, debit and credit memos, and electronic transfer statements for all cash accounts.
2. Cash receipts and disbursement journals.
3. Check registers and check books.
4. General ledger cash account details for all funds and blended component units.
5. A technical assistant contact at KVS.
6. A permanently assigned Controller's department assistant to perform the reconciliations for the past and present.

B. Capital Projects Accounting

The following resources are necessary and, where applicable, from the inception of all capital projects that are open as of June 30, 2011 through June 30, 2012.

1. Debt obligation documents.
2. Council resolutions addressing any aspect of capital projects.
3. Recovery of the financial information history from the County accounting system.
4. Access to the original voucher packages.
5. Access to all journal entries and source documents supporting the entry.
6. Cash receipts and disbursement journals.
7. Access to all contracts and grant agreements.
8. Reimbursement claims.
9. A technical assistant contact at KVS.
10. A permanently assigned Controller's department assistant to perform the bookkeeping for the past and present.

C. Schedule of Expenditure Federal Awards

1. Remaining records already requested from Departments.
2. A permanently assigned Controller's department assistant to perform the bookkeeping.