

November 17, 2021

To the Mayor and Members of the City Council of the
City of Cortland, New York:

In planning and performing our audit of the basic financial statements of the City of Cortland, New York (the "City") as of and for the year ended December 31, 2020, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control.

During our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the City's internal control in our report dated November 17, 2021. This letter does not affect our report dated November 17, 2021 on the basic financial statements of the City of Cortland.

We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This letter is intended solely for the information and use of management and is not intended to be, and should not be used by anyone other than this specified party.

1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Observation

The initial draft of the Schedule of Expenditures of Federal Awards (SEFA) was not complete and accurate, and adjustments were necessary in order to reconcile the SEFA to the trial balance and underlying records used in preparing the financial statements.

Recommendation

We recommend that a formal process be developed to ensure that a SEFA can be prepared timely and be complete and accurate. A SEFA should include all federal expenditures by program with respective amounts, including the Assistance Listing Numbers, pass-through identifiers when applicable, as well as the identification of any subrecipients when applicable.

2. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Observation

The City does not reevaluate the allowance for doubtful accounts related to property taxes each year, but rather reports the same amount of \$50,000 each year.

Recommendation

We recommend the City establish a consistent process for calculating the allowance for doubtful accounts. In addition, at minimum, the allowance should be reevaluated annually, and an adjustment should be recorded as deemed necessary.

3. WIRE TRANSFERS

Observation

Based on discussion with management, it appears that wire transfers for payments to vendors and transfers between bank accounts are not reviewed and approved prior to initiation. It is recommended that all wire transfers are reviewed and approved.

Recommendation

We recommend the City establish procedures that require all wire transfers and interfund bank transfers be reviewed and approved before initiating the transaction. Furthermore, management should retain documentation to support this review and approval occurred.

4. DUE TO/ DUE FROM

Observation

It was noted there were 2 journal entries that were made to force balance the due to and due from funds at fiscal year-end.

Recommendation

We recommend all entries to due to/due from accounts are balanced entries between 2 or more funds to ensure these accounts always net to zero throughout the year.

5. LEASES

Observation

In 2017, the Governmental Accounting Standards Board (GASB) issued Statement Number 87 – Leases to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In May 2020, the GASB issued Statement Number 95 – Postponement of the Effective Dates of Certain Authoritative Guidance which postponed GASB 87 by 18 months. This Statement will be effective for the City during the year ended December 31, 2022.

Recommendation

In preparation for the implementation of this Statement, we recommend that the City accumulates a listing of all significant contracts and/or lease agreements and review all such agreements to determine how they will need to be reported once this Statement is implemented.

Very truly yours,

BONADIO & CO., LLP