

June 27, 2016

Honorable Mayor and Council Members
City of Rye, New York
1051 Boston Post Road
Rye, New York 10580

Dear Honorable Mayor and Council Members:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City of Rye, New York (City) for the year ended December 31 2015. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the City's practices and procedures.

Current Year Comments

1. Infrastructure

Observation: The City reports infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) in the government-wide financial statements. Currently, the City uses a salvage value of 10% for substantially all infrastructure assets. Further, while the City's policy is to depreciate infrastructure assets over a period of 17 to 50 years, the majority of infrastructure items are depreciated over a period of 50 years.

Suggestion: We suggest management review the salvage value and depreciation expense estimates related to infrastructure assets. Formal documentation of the methodologies that management has developed for infrastructure assets should be subsequently reviewed on a periodic basis. We further suggest management review assets reported within infrastructure to ensure the assets remain in service. Assets no longer in use, or replaced by infrastructure upgrades in previous periods, should be removed from the City's infrastructure assets.

2. Golf Club Fund Cash Receipts

Observation: While the majority of members of the Golf Club are current with member dues, we noted certain instances in which members were allowed to delay payments for substantial periods of time. Upon further discussion with management, it was determined these delays related to financial hardship of certain members, and were authorized by the Rye Golf Club Commission.

Suggestion: The City Council is the ultimate decision making authority for rate charges and payment terms for members of the Golf Club. We suggest management and the City Council review the aforementioned modifications to the existing payment policies of the Golf Club.

Prior Year Comments

3. Compensated Absences - Fire Department

Observation: During our current and prior year audit procedures, we noted internal discrepancies in the calculation of compensated absences for Fire Department employees. Currently, using guidance from the most recent Fire Department contract, the Payroll Department calculates compensated absences by anniversary date of individual employees. However, the Fire Department calculates compensated absences using January 1st as an anniversary date for all employees. As a result, internal balances of accrued compensated absences differed between departments.

Suggestion: We suggest management review the calculation of compensated absences between departments to obtain a consistent method for determining the estimated accrual for compensated absences at year end.

4. Golf Club Fund Receivables and Payables

Observation: During our review of the Golf Club Fund general ledger accounts during our current and prior year audit procedures, we noted the following:

- a. The Golf Club Fund has total deposits of \$30,117, of which \$23,242 were made prior to 2015. The balance is largely comprised of unused gift cards.
- b. The Golf Club Fund also has \$15,933 in accounts receivable balances that are greater than 90 days.

Suggestion: Management should review the above receivable balances for collectability on a regular basis. Amounts determined to be uncollectible should either be fully reserved for, or written off subject to City Council approval. Management may consider the use of a collection specialist in recouping receivable balances.

Management should consider the establishment of an expiration date for the unused gift cards. After a good faith effort reminding golf club patrons of the unused gift card balances and adherence to the expiration date, management should remove (write-off) the gift card obligation.

5. Property, Plant, and Equipment Inventory

Observation: During our current and previous year-end audits, we noted that the City has not recently performed a physical inventory of its capital assets, with an emphasis on non-infrastructure related assets. Further, we note that the City does not currently have a policy to inventory and track capital assets with the use of numbered asset tags.

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Suggestion: We suggest the City perform a physical inventory of all non-infrastructure related property and equipment. The physical inventory should then be reconciled to the schedule of property, plant, and equipment maintained by the City. The inventory should also be compared to the City's insurance policy to ensure adequate coverage. The comparison may also identify situations where insurance coverage may be more than is needed. During the physical inventory process, we suggest management place numbered assets tags on capital assets with remaining value. Numbered asset tags should then be added to all new capital assets acquired by the City in future periods. Ongoing review of the property and equipment inventory will help to lower the risk of misappropriation of assets. Further, through our discussions with management, we note that the City's information technology support department consists of one individual. While the City's current policies and procedures related to the safeguarding of information technology equipment appear adequately designed, we suggest that management implement a policy whereby an individual in a separate department receives and adds asset tags to information technology equipment prior to the equipment being provided to the information technology department. This additional segregation of duties will further ensure safeguarding of the City's information technology equipment.

This letter is intended solely for the information and use of the Honorable Mayor, Council Members, management, and others within the City, and is not intended to be, and should not be, used by anyone other than the specified parties. We appreciate serving the City of Rye, New York and would be happy to assist you in addressing and implementing any of the comments and suggestions in this letter.

Very truly yours,

SaxBST LLP



Brendan K. Kennedy, Partner

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