



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER

Mayor and Members of Governing Body
City of Margate

We have completed our audit procedures for the calendar year 2015 and again want to express to the Governing Body that we received complete cooperation and assistance from all of the City employees. While performing our procedures, we did identify some areas that we would like to bring to your attention for corrective action or to improve your controls.

Our examination of the 2015 temporary budget, adopted February 19, 2015 revealed that the temporary appropriations for the current fund exceeded the statutory maximum by \$948,072.26. We recommend that a calculation be performed each year prior to the adoption of both the current fund and water and sewer utility fund budgets to ensure compliance with N.J.S.A. 40A:4-19.

It was noted during testing that there was an overexpenditure of \$22,395.34 in the Water and Sewer Utility Fund. Overexpenditures of appropriations are not permitted by law (N.J.S.A. 40A:4-57) and are deferred charges to be raised in the budget of the succeeding year. We recommend that internal controls be strengthened to eliminate overexpenditures of appropriations.

During our examination of vouchers during our voucher testing, it was noted that in some cases, items or services were ordered and received prior to a purchase order being issued. It is important that all budget appropriations be encumbered when an amount is known or can be reasonably estimated. Also, there were a few instances where we were unable to trace approval of payment to the approved bill lists. We recommend that the City examine the procedures currently in place to ensure that purchases are handled properly.

During our testing of expenditures to key employee, it was noted that one employee was reimbursed for goods purchased by their personal credit card. We recommend that the City adopt procedures that prohibit employees from being reimbursed for purchases using their personal credit cards.

During our testing of professional service contracts, we noted that two signed contracts selected for testing could not be provided to us. We also noted that proof of publications for three contracts could not be located. We recommend that all professional service contracts be advertised timely and that a valid contract is kept on file in the City's Clerk's Office.

During our utility testing, we found that adjustments were being made to accounts without being approved through resolution. We recommend that resolutions be obtained prior to adjusting utility accounts.

We also noted during our audit testing that the fixed asset listing may not be up to date. Some items selected for testing for physical existence had been demolished. Also, new assets traced to purchase orders showed that some assets were being recorded at insured cost instead of historical cost. We recommend the City have a full appraisal of the fixed assets that exist within the City. This should include ensuring that assets are recorded at historical cost rather than insured cost.

At the conclusion of our fieldwork we performed counts of the various petty cash and change funds utilized by City departments. We found that beach fee change fund was over by \$100.00 and the police petty cash under by \$28.87. Also, it was discovered that there was a petty cash fund being utilized in the Construction Office that was not authorized. We recommend that the City authorize all department petty cash and change funds annually through resolution.

We are always available to assist you in implementing any of our suggestions, or to respond to any questions you may have. Please feel free to call on us throughout the year. We appreciate the obvious concern and effort put forth by all City employees.

**FORD, SCOTT & ASSOCIATES, L.L.C.
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Leon P. Costello

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Registered Municipal Accountant
No. 393**

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