



INCORPORATED
VILLAGE OF PATCHOGUE

FEDERAL SINGLE AUDIT REPORT

May 31, 2019

INCORPORATED VILLAGE OF PATCHOGUE
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INCORPORATED VILLAGE OF PATCHOGUE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended May 31, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures
U. S. Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	14.871		\$ 2,393,835
Passed through the County of Suffolk Community Development Block Grants/Entitlement Grants	14.218		<u>152,732</u>
Total expenditures of federal awards			<u><u>\$ 2,546,567</u></u>

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended May 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Incorporated Village of Patchogue (Village) under programs of the federal government for the year ended May 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Incorporated Village of Patchogue, it is not intended to and does not present the financial position and changes in fund balance of the Incorporated Village of Patchogue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Matching costs (the Village's share of certain program costs) are not included in the reported expenditures.

Pass-through numbers are presented where available.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Village's financial reporting system.

3. INDIRECT COST RATE

The Incorporated Village of Patchogue has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. SUBRECIPIENTS

No amounts were provided to subrecipients.

5. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the Village's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

INCORPORATED VILLAGE OF PATCHOGUE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended May 31, 2019

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-001. Special Tests and Provisions

Significant Deficiency

United States Department of Housing and Urban Development
Section 8 Housing Choice Vouchers

CFDA No. 14.871

Criteria: The Village must determine that the rent to owner is reasonable in comparison to other comparable unassisted units during the term of the contract: (a) before any increase in the rent to owner, and (b) at the housing assistance payment (HAP) contract anniversary if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The Village must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d) (15), 982.158 (f) (7), and 982.507).

Condition: The Village maintains records to document the method used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. There were instances where the Village did not maintain documentation on the conclusion of whether the rent is, or is not, reasonable.

Current Status: Corrective action not taken.

Reasons for Recurrence: New procedures were not put into place until after yearend.

Planned Corrective Action: The Village will implement procedures to maintain documentation to support the conclusion of the rent reasonableness determination.

Person Responsible: Executive Director, Incorporated Village of Patchogue Community Development Agency.

2018-002. Special Tests and Provisions

Significant Deficiency

United States Department of Housing and Urban Development
Section 8 Housing Choice Vouchers

CFDA No. 14.871

Criteria: If the cost of utilities is not included in the rent to owner, the Village uses a schedule of utility allowances to determine the amount an assisted family needs to cover the cost of utilities. The Village must review the utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of ten percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR section 982.517).

Condition: On an annual basis, the Village reviews and updates the utility rate data. Typically the revised schedule of utility allowance is effective May 1st of the respective year. The Village prepares the required paperwork for housing assistance payment (HAP) contracts in advance of their expiration date. HAP contracts that have a renewal date subsequent to the May 1st schedule of utility allowance effective date, have their paperwork prepared prior to May 1st. When the revised schedule of utility allowance becomes effective, the Village does not review previously prepared HAP contract paperwork to determine if there should be a change in the utility allowance reflected.

INCORPORATED VILLAGE OF PATCHOGUE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Year Ended May 31, 2019

Current Status: Corrective action not taken.

Reasons for Recurrence: New procedures were not put into place until after yearend.

Planned Corrective Action: The Village will implement procedures to review the utility allowance in the HAP contract prior to the contract's effective date

Person Responsible: Executive Director, Incorporated Village of Patchogue Community Development Agency.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Incorporated Village of Patchogue
Patchogue, New York

Report on Compliance for Each Major Federal Program

We have audited the Incorporated Village of Patchogue, New York's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have direct and material effect on each of the Incorporated Village of Patchogue's major federal programs for the year ended May 31, 2019. The Incorporated Village of Patchogue's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Incorporated Village of Patchogue's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Incorporated Village of Patchogue's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Incorporated Village of Patchogue's compliance.

Opinion on Each Major Federal Program

In our opinion, the Incorporated Village of Patchogue complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2019.

Report on Internal Control Over Compliance

Management of the Incorporated Village of Patchogue is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Incorporated Village of Patchogue's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Patchogue's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

The Incorporated Village of Patchogue's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Incorporated Village of Patchogue's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, the total non-major funds, and the fiduciary fund of the Incorporated Village of Patchogue as of and for the year ended May 31, 2019, and the related notes to financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated December 5, 2019, which included an adverse opinion on the governmental activities because the Village did not comply with the requirements of GASB Statements No. 75 and 73 to report information concerning postemployment benefits other than pensions and the Village's liability for the Service Award Program, and the Village did not record depreciation expense on capital assets, as required by accounting principles generally accepted in the United States of America. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to

the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cullen & Danowski, LLP

December 17, 2019

(except as to schedule of expenditures of federal awards,
which is December 5, 2019)

INCORPORATED VILLAGE OF PATCHOGUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended May 31, 2019

1. SUMMARY OF AUDITOR'S RESULTS

- A. The auditor's report expresses an adverse opinion on whether the financial statements of the Incorporated Village of Patchogue were prepared in accordance with GAAP
- B. No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
- C. No instances of noncompliance material to the financial statements of the Incorporated Village of Patchogue were disclosed during the audit.
- D. There were two significant deficiencies identified in internal control over major programs for the Incorporated Village of Patchogue. No material weaknesses in internal control over major programs were disclosed by the audit.
- E. The auditor's report on compliance for the major programs expresses an unmodified opinion on all major federal programs.
- F. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
- G. The program tested as major program was:
 - United States Department of Housing and Urban Development
Section 8 Housing Choice Vouchers
 - CFDA No. 14.871
- H. The dollar threshold used to distinguish between Type A and B programs was \$750,000.
- I. The Incorporated Village of Patchogue did not qualify to be a low-risk auditee.

2. FINANCIAL STATEMENTS FINDINGS

There are no findings to be reported.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-001. Special Tests and Provisions

Significant Deficiency

United States Department of Housing and Urban Development
Section 8 Housing Choice Vouchers

CFDA No. 14.871

Criteria: The Village must determine that the rent to owner is reasonable in comparison to other comparable unassisted units during the term of the contract: (a) before any increase in the rent to owner, and (b) at the housing assistance payment (HAP) contract anniversary if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The Village must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d) (15), 982.158 (f) (7), and 982.507).

INCORPORATED VILLAGE OF PATCHOGUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended May 31, 2019

Condition: The Village maintains records to document the method used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. There were instances where the Village did not maintain documentation on the conclusion of whether the rent is, or is not, reasonable.

Cause: The Village did not sign off their determination of rent reasonableness.

Context: The Village has 157 participants in the program. A sample of 16 participants were selected for testing. Of those tested three did not have documentation supporting the conclusion of whether the rent is or not reasonable.

Effect: Noncompliance could result in the Village being denied reimbursement of program expenditures or having to refund federal monies.

Questioned Costs: None reported.

Identification of a Repeat Finding: This is a repeat finding from the previous audit, finding No. 2018-001.

Recommendation: The Village should prepare the appropriate documentation to support the conclusion of the rent reasonableness determination.

Views of Responsible Officials of Auditee: The Village agrees with the finding and will implement procedures to maintain documentation to support the conclusion of the rent reasonableness determination. The Village will also be pursuing training for the administrator of the program.

2019-002. Special Tests and Provisions

Significant Deficiency

United States Department of Housing and Urban Development
Section 8 Housing Choice Vouchers

CFDA No. 14.871

Criteria: If the cost of utilities is not included in the rent to owner, the Village uses a schedule of utility allowances to determine the amount an assisted family needs to cover the cost of utilities. The Village must review the utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of ten percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR section 982.517).

Condition: On an annual basis, the Village reviews and updates the utility rate data. Typically the revised schedule of utility allowance is effective May 1st of the respective year. The Village prepares the required paperwork for housing assistance payment (HAP) contracts in advance of their expiration date. HAP contracts that have a renewal date subsequent to the May 1st schedule of utility allowance effective date, have their paperwork prepared prior to May 1st. When the revised schedule of utility allowance becomes effective, the Village does not review previously prepared HAP contract paperwork to determine if there should be a change in the utility allowance reflected.

Cause: The Village does not have procedures in place that would require HAP contract paperwork to be reviewed for any utility allowance changes.

INCORPORATED VILLAGE OF PATCHOGUE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended May 31, 2019

Context: The Village has a total of 157 participants as of May 1, 2019, of which 15 participants receive a utility allowance. A sample of three participants receiving an allowance were selected for testing. Of the three tested, two participants were not receiving the correct allowance. The utility allowance provided for these two participants were based on the 2018 allowance schedule instead of the 2019 allowance schedule.

Effect: Noncompliance could result in the Village being denied reimbursement of program expenditures or having to refund federal monies.

Questioned Costs: None reported.

Identification of a Repeat Finding: This is a repeat finding from the previous audit, finding No. 2018-002.

Recommendation: When the schedule of utility allowance is revised, the Village should review all paperwork for HAP contracts to determine the need for a change of the utility allowance on the HAP contract.

Views of Responsible Officials of Auditee: The Village agrees with the finding and will implement procedures review recertification contracts to determine that the correct utility allowances are included in the HAP contract.



MAYOR
PAUL V. PONTIERI, JR.
DEPUTY MAYOR
JOHN A. KRIEGER
VILLAGE CLERK
PATRICIA M. SEAL

TRUSTEES
SUSAN BRINKMAN
LORI B. DEVLIN
SALVATORE P. FELICE
THOMAS E. FERB
JOSEPH E. KEYES, JR.

INCORPORATED
VILLAGE OF PATCHOGUE

CORRECTIVE ACTION PLAN
For the Year Ended May 31, 2019

Significant Deficiency

2018-001. Special Tests and Provisions

United States Department of Housing and Urban Development
Section 8 Housing Choice Vouchers CFDA No. 14.871

Condition: The Village maintains records to document the method used to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. There were instances where the Village did not maintain documentation on the conclusion of whether the rent is, or is not, reasonable.

Recommendation: The Village should prepare the appropriate documentation to support the conclusion of the rent reasonableness determination.

Corrective Action: The Village has implemented procedures to maintain documentation to support the conclusion of the rent reasonableness determination, in addition, the Village will contract with Nan McKay or a company with equivalent services to conduct rent reasonableness training for the Section 8 Administrator. The Village has in place a procedure where all monthly changes are reviewed and approved by the Executive Director. Going forward rent reasonableness determinations will be attached to the monthly changes so the Executive Director will approve changes and confirm rent reasonableness determinations were completed.

Responsible Person: Executive Director, Incorporated Village of Patchogue Community Development Agency.

Anticipated Completion Date: May 31, 2020

2018-002. **Special Tests and Provisions**

United States Department of Housing and Urban Development
Section 8 Housing Choice Vouchers CFDA No. 14.871

Condition: On an annual basis, the Village reviews and updates the utility rate data. Typically the revised schedule of utility allowance is effective May 1st of the respective year. The Village prepares the required paperwork for housing assistance payment (HAP) contracts in advance of their expiration date. HAP contracts that have a renewal date subsequent to the May 1st schedule of utility allowance effective date, have their paperwork prepared prior to May 1st. When the revised schedule of utility allowance becomes effective, the Village does not review previously prepared HAP contract paperwork to determine if there should be a change in the utility allowance reflected.

Recommendation: When the schedule of utility allowance is revised, the Village should review all paperwork for HAP contracts to determine the need for a change of the utility allowance on the HAP contract.

Corrective Action: Finalizing all May 1st recertifications will not take place until after receipt of the updated utility allowance schedule. The Executive Director will review all May 1st recertifications to confirm the correct utility allowance schedule was used. The Village has reviewed all utility allowances effective for May 1st recertifications for 2019 and made correction to two files.

Responsible Person: Executive Director, Incorporated Village of Patchogue Community Development Agency.

Anticipated Completion Date: May 31, 2020.

