

MANAGEMENT LETTER

July 27, 2021

The Common Council and Management
City of Lockport, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lockport, New York (the City) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

OBSERVATIONS

Capital assets

Management is maintaining its capital asset listing in Excel after converting the listing from the predecessor auditor's software system in 2019. We recommend that management research capital asset software programs and consider use of such a system to reduce the risk of calculation errors, calculate depreciation, and more easily monitor additions and deletions. In addition, someone within the accounting office should be responsible for updating the database throughout the year.

INFORMATIONAL POINTS - ACCOUNTING STANDARDS UPDATES

- GASB Statement No. 87, *Leases*, was originally effective for the year ending December 31, 2020 but was postponed by GASB Statement No. 95 to December 31, 2022. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor would recognize a lease receivable and a deferred inflow of resources.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the City's year ending December 31, 2023. This statement generally requires a government to recognize a right-to-use subscription asset and a corresponding subscription liability that is measured at the present value of the subscription payments expected to be paid during the subscription term.

PRIOR YEAR RECOMMENDATIONS

Included in our current year procedures is an update of the status of recommendations made in previous audits. Items not already discussed include the following:

- The police department's bank accounts are now reconciled monthly and are reviewed timely by management.
- General ledger accounts were reconciled and year end adjustments made prior to the start of the audit. We recommend that management periodically review staffing within the accounting office to ensure that the number of personnel is sufficient to continue to complete these tasks timely.
- The community development loan schedules had included loans and mortgages that had been previously paid or discharged. We are pleased to note that these schedules have been corrected.
- During our testing we noted no instances of purchase orders completed and approved after the purchase. Departments should continue to complete and approve a purchase order prior to each purchase, as stipulated in the City's procurement policy.

We have discussed these comments with City personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist in implementing the recommendations.

This communication is intended solely for the information and use of the City's management and Common Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

