

## DRESCHER & MALECKI LLP

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May 14, 2025

To Management and the Honorable Town Board  
Town of Niagara, New York:

In planning and performing our audit of the basic financial statements of the Town of Niagara, New York (the "Town") as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Town'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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. 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.

In addition, during our audit we identified certain matters involving the internal control, other operational matters and future reporting requirements that are presented for your consideration. This letter does not affect our report dated May 14, 2025 on the financial statements of Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*Brecher & Maluki LLC*

May 14, 2025

### ***Comprehensive Policies and Procedures***

Although the Town incorporated a number of new policies and procedures during 2024 surrounding the Town's internal control processes, we found that the Town is still lacking formalized policies in the following areas:

- Information technology ("IT"): The Town currently does not have a formalized policies related to IT procedures including computer use, remote access, user access rights (creating, modifying, and deleting accounts), backups, data recovery, and disaster recovery plan. Additionally, the Town does not have password policies or procedures and the server room is accessible to most employees.
- Journal entries: The Town currently does not have formalized procedures surrounding these accounting functions documenting the timing and the responsible individuals assigned to perform and oversee such functions.

We recommend that the Town implement IT and journal entry policies and procedures in order to strengthen their internal controls.

### ***Departmental Bank Reconciliations***

During testing it was noted that certain departmental bank reconciliations were not being performed for the Town Clerk and Receiver of Taxes bank accounts. However, upon request additional documentation was available to reconcile the bank accounts.

We recommend the Town Clerk and Receiver of Taxes institute a process for performing complete bank reconciliations to ensure accurate reporting of cash balances throughout the year.

### ***Budget Monitoring***

Budget lines should be monitored and necessary transfers should be made regularly to ensure that expenditures do not exceed the budgeted amounts. During testing of expenditures it was noted that multiple line items exceeded the budgeted amounts for those lines and we also noted the total expenditures within the General, Highway Water, Sewer and Fire District Funds exceeded the total budget during the year. During our testing of revenues we noted several line items in which the actual revenues received were significantly lower than the estimated revenues.

We recommend the Town develop and implement a policy of monitoring budget lines and ensuring sufficient funds are available in an account before posting an expenditure that will create the budget to be over-expended.

### ***Capital Project Monitoring***

Internal controls should be in place to ensure that accurate financial records over capital projects are maintained. Additionally, procedures should be in place to ensure open capital projects that will result in depreciable fixed assets are tracked as construction in progress ("CIP") and to ensure that closed capital projects are appropriately placed in service and moved to a depreciable fixed asset category. We noted capital projects that have been ongoing for several years that have not been properly monitored.

We recommend the Town develop policies and procedures to ensure the proper maintenance of CIP on an annual basis. This policy should outline procedures for reviewing expenses each year to determine if they should be included as additions, as well as determining what the criteria is for a CIP project to be considered to be a substantially complete, depreciable asset.

***Future Reporting Requirements***

The Governmental Accounting Standards Board (“GASB”) has adopted new pronouncements, which may have a future impact upon the Town. These should be evaluated to determine the extent the Town will be impacted in future years.

***GASB Statement No. 102***—The Town is required to implement GASB Statement No. 102, *Certain Risk Disclosures*, effective for the fiscal year ending December 31, 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

***GASB Statement No. 103***—The Town is required to implement GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending December 31, 2026. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

***GASB Statement No. 104***—The Town is required to implement GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the fiscal year ending December 31, 2026. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets