



DEPARTMENT OF MANAGEMENT SERVICES
CITY HALL – ROOSEVELT SQUARE
MOUNT VERNON, NEW YORK 10550
(914)665-2340 – Fax (914)665-2342

BRETT ERASMUS
COMMISSIONER

November 8th, 2018

Honorable Mayor Richard Thomas
City Hall
1 Roosevelt Square
Mount Vernon
NY 10550

2018 NOV 13 P 5:28
MAYOR
MOUNT VERNON, NY

Re: Anomalies noticed in the city's financial records

Dear Honorable Mayor,

I am writing to alert you to my concern about the city's financial picture as represented by the data supplied by Comptroller Reynolds. Based on my 20 years of professional experience, the numbers downloaded from the Munis system on Oct. 31 are, in a word, "inexplicable."

At the close of last month, Mount Vernon posted a surplus of \$103,118 on its balance sheet. A balance sheet should always balance to zero, with debits and credits offsetting one another. That the city could end the month and third quarter out of balance shows, at a minimum, that the city's numbers appear to be out of line with normal accounting methods.

There may be an explanation, but without guidance or at least minimum transparency provided by the Comptroller, there is no way to know why the balance sheet doesn't balance. And there is no way to have any confidence in the numbers the Comptroller is posting into Munis.

I am compelled to write at this time, because the 2019 budget process, which is now underway, cannot be legitimately completed unless the city has an accurate picture of its finances. The following "inexplicable" financial entries illustrate the problem.

1. Accounts #251, #254, #261, #264: These four accounts track the taxes collected by Westchester County, which are then remitted to Mount Vernon. Given that these are receivable accounts, they are debits on the balance sheet. On average over the last four years, these four accounts represented \$1.8 million coming into the city, which would get



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paid early in each new year. As of Oct. 31, 2018, the four accounts show a credit or negative draw down to the balance sheet of more than \$20 million. The fact that these four receivable accounts are negative must be explained.

2. Account #260: This account is for taxes owed to the city from residents and businesses. A portion of this account pertains to overdue amounts. When paid, overdue amounts are always a positive debit to the balance sheet because this is money coming into the city. On average over the last four years, payments on overdue taxes averaged \$2.1 million. As of the end of October, the account showed a negative credit of more than \$1 million. This account should only ever be a debit balance.
3. Account #262: This account covers water rents paid to the city. Over the last four years, this account reflected an average positive debit of \$896,000. It currently shows a negative balance and the accounting is, at best, inconsistent with prior years.
4. Account #330: This account tracks property acquired for taxes. It should be a positive debit on the balance sheet and has averaged about \$4 million over the past four years. It currently has a negative balance and the accounting is inconsistent with prior years.
5. Account #342: This account is to mark an allowance for bad debts. It is a negative or credit on the balance sheet and typically amounts to \$7 million a year. At present, there is no allowance in the account for 2018. An account like this typically builds up over the year, so it is highly unusual for it to be zero three quarters of the way through 2018.
6. Account #380: This is the entry for accounts receivable. It should never be negative by virtue of the fact that these are monies owed to Mount Vernon, but currently it inexplicably shows a \$1.6m negative balance.
7. Accounts #410, #440: These accounts are for money coming into the city from the State of New York, the Federal Government and other governmental bodies. The positive balance on these accounts typically averages more than \$3 million. The accounts currently have a negative balance of more than \$2.5 million. If there is a valid reason that the city owes the state and federal government money, it should be booked as a liability and not as a negative receivable.
8. Account #600: The city's accounts payable amount to a credit of about \$2 million a year on average. Currently, it shows a debit of more than \$2 million. There is no way accounts payable should ever be in debit. This should be a large credit balance that is reflective of the fact that we owe vendors for goods and services provided to the city during the year.
9. Account #601: The accrued liabilities for the city average more than \$5 million a year on average. Currently, it shows a debit of more than \$1 million. There is no way an accrued liability account should ever be in debit by definition.



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This list is just a sample of the anomalies present throughout the Comptroller's financial data. This situation must be addressed, or the city will not be able to meet its obligations with respect to managing and monitoring its budget. I have reached out to the Comptroller repeatedly, without success, but will continue to do so. Please advise if you and the City Council would like me to reach out to the State Comptroller or some other oversight body at this point.

Regards,

Brett Erasmus
Commissioner
Department of Management Services