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Shawyn Patterson-Howard, Mayor
Members of the City Council
City of Mount Vernon
1 Roosevelt Square N.
Mt. Vernon, NY 10550

Report Number: 2020M-96-F

Dear Mayor Patterson-Howard and Members of the City Council:

One of the Office of the State Comptroller's (OSC) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage city officials to reduce costs, improve service delivery and to account for and protect their city's assets.

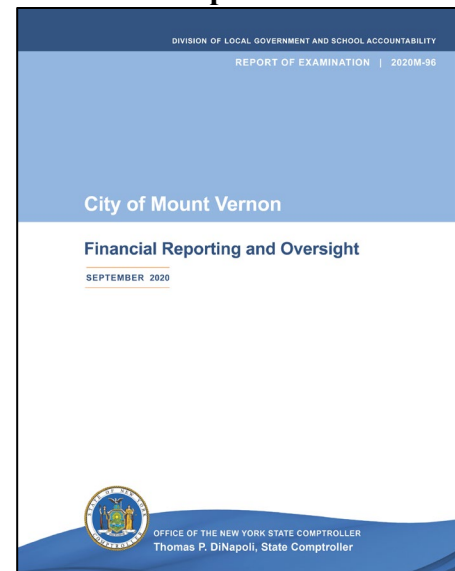
In accordance with these objectives, we conducted an audit of the City of Mount Vernon (City) to determine whether financial information was made available to the City Council (Council) and City officials for the effective management of operations.

As a result of our audit, we issued a report, dated September 17, 2020, identifying certain conditions and opportunities for City officials' review and consideration. (Figure 1).

To further our policy of providing assistance to local governments, we revisited the City in July/August 2025. Our follow-up review was limited to interviews with Council members, the Mayor, and the City's Comptroller (Comptroller) and inspection of certain documents related to the issues identified in our report.

Based on our limited procedures, the City has implemented three recommendations, partially implemented four recommendations and not implemented four recommendations.

**Figure 1: City of Mount Vernon
2020 Audit Report**



<https://www.osc.ny.gov/files/local-government/audits/pdf/mount-vernon-2020-96.pdf>

Recommendation 1 – Update and Develop Policies and Procedures

The Council should update and develop policies and procedures integral to effectively managing the City's financial operations.

Status of Corrective Action: Fully Implemented

Observations/Findings: We determined that the Council adopted City Charter (Charter) amendments integral to effectively managing the City's financial operations, effective January 1, 2021. The updated Charter requires the Comptroller to issue quarterly financial reports. Specifically, the Charter requires the Comptroller to:

- Issue quarterly reports concerning the year-to-date and projected financial condition for all City departments and agencies. The quarterly financial reports are to be made available for public inspection within 15 days after completion.
- Provide access to all records and accounts required to perform and complete annual independent audits of City accounts. The final independent audit reports are to be made accessible to the public.

In addition, the City's Department of Finance, and more specifically its Office of the City Comptroller, updated its Policies and Procedures to include provisions related to fund balance and performing budget transfers. Specifically:

- The Fund Balance Procedures detail the order of expending fund balances and highlight the Board of Estimate and Contract's (Board) Charter-based role in establishing, modifying or rescinding fund balance through Council-adopted ordinances.
- The Budget Line Transfer Procedure details the actions specific officials should take when there are not sufficient funds within an account code/budget line.

Because the Council adopted Charter amendments requiring the Comptroller to issue quarterly financial reports, it was provided most of the interim financial reports necessary to manage City operations, as detailed in Recommendations 2 and 7.

Recommendation 2 – Require Interim Financial and Budget Reports

The Council should ensure that Council members receive accurate and complete interim financial and budget reports that they need to manage the City's finances.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the quarterly financial reports provided to the Council for the quarter ending September 30, 2024, as well as the budget-to-actual reports for the month of July 2025 provided to the Council and determined that the Comptroller provided the Council interim financial reports. We determined the Comptroller provided the following general fund reports:

- Statement of revenue and expenditures,
- Detailed list of expenditures by category,
- Budget vs. actual revenues variances,
- Budget vs. actual expenditures variances,
- Cash flow projections, and
- Estimated liabilities.

The reports listed above also included detailed information for custodial and department/agency fund accounts. Additionally, the Comptroller, on an annual basis, provided a “State of the City” report, outlining the status of the City’s independent audits, City agency audits, City debt, annual revenues and expenditures, financial forecast and expected obligations. However, the Comptroller did not provide the Council fund balance projections, as outlined in our audit.

Four Council members and the Mayor told us that they believed the Council received the necessary financial data it needed to adequately manage the City’s budgeting process, monitor overtime spending and to make future projections. The Comptroller indicated that his office is unable to prepare fund balance projections because the City is behind on its annual independent audits (See Recommendation 7).

Without fund balance projections, the Council’s ability to make reasonable plans for the future (e.g., annual budgets) is diminished. For example, according to the City’s most recent audited financial statements, the City had a general unassigned fund balance deficit totaling \$28.9 million as of December 31, 2020. Because the Council does not have updated fund balance projections, it does not have complete information to determine whether the deficit improved or worsened since 2020.

Recommendation 3 – Prepare and Adopt Detailed Budgets, Based on Historical Results

The Council should ensure that detailed budgets, based on historical results of operations, are prepared and adopted timely and in accordance with the Charter.

Status of Corrective Action: Not Implemented

Observations/Findings: Although the Council ensured that budgets contained sufficient detail, it did not ensure that appropriations and revenues were always based on historical results. According to the City’s accounting records, appropriations were underestimated by \$3.3 million and \$3 million in fiscal years 2023 and 2024, respectively, including certain appropriations that were significantly underestimated. For example, in fiscal year 2024, the City’s overtime appropriation was underestimated by \$4.1 million (180 percent).

Additionally, according to the City’s accounting records, revenues were overestimated by \$8.8 million and \$13.1 million in 2023 and 2024, respectively. However, we could not fully assess the revenues because the records were incomplete. For example, the Comptroller’s office did not post all property tax revenue for these fiscal years. City officials also budgeted revenue totaling \$1.1 million for the sale of real property in 2023 and 2024; however, the property sales were not completed in either fiscal year.

The Council President, Mayor and Comptroller told us they refined the budget process by analyzing specific components associated with large expenditures. However, they told us that staffing issues

within the City impacted their ability to develop accurate budgets and revenues were often dependent on funding from other sources, such as federal and state grants. For example, according to City officials, the City incurred additional overtime expenditures because of staff shortages partially due to injured employees on leave whose positions the departments could not fill.

We acknowledge that it is difficult for City officials to calculate sound budget estimates when historical data is inaccurate and incomplete. However, the City's practice of underestimating appropriations (e.g., overtime) and overestimating revenue (e.g., sale of real property) is a recurring issue that we also cited in our review of the City's 2021 budget. By regularly developing unrealistic budgets, City officials are increasing the risk of negatively impacting the City's financial condition. If these budgeting practices continue, the Council cannot ensure that planned services will be properly funded.

Additionally, the Council did not adopt timely budgets, ranging from 13 to 85 days late in accordance with the Charter, as discussed in Recommendation 5. By not adopting timely budgets, the Council increases the possibility of cash flow shortages.

Recommendation 4 – Develop Multiyear Financial and Capital Plans

The Council should develop and adopt multiyear financial and capital plans.

Status of Corrective Action: Not Implemented

Observations/Findings: The Council did not develop and adopt multiyear financial or capital plans. However, in 2022, the Council re-established its Comprehensive Plan, and in January 2024 adopted one component of the Comprehensive Plan, titled the "Downtown Vision Report" (Vision Report). The Council also started to identify what capital repairs were needed for each individual City-owned building by obtaining Condition Assessment Reports (Assessment Reports).

We reviewed the Comprehensive Plan, which included the Vision Report, and the additional Assessment Reports to determine whether any contained detailed multiyear financial or capital plans. The Comprehensive Plan included the community's vision for its future growth and an outline for City-wide improvements. The Assessment Reports provided a detailed review of individual buildings, the costs to rehabilitate the building, and the repairs that were deemed priority. However, the plans did not include detailed information on the City's capital investment needs, financing methods, future maintenance costs, or a complete asset inventory. Further, although the Comprehensive Plan was made available to the public, only the Vision Report component was adopted by the Council, not the entire Comprehensive Plan.

The Council President told us that the City does not have multiyear financial or capital plans but was hoping for the Capital Project Board to implement a capital project plan in the future. She further explained that many projects are funded by bonds, and without the ability to finance these projects due to a lack of credit rating, the Council was unable to complete any multiyear financial plans.

Without multiyear financial and capital plans, the Council does not have clear guidance on how to assess financial risks and the affordability of new services and capital investments. Further, the lack of a capital plan restricts the Council's ability to maintain critical municipal infrastructure.

Recommendation 5 – Adhere to the Budget Process

The Board should ensure that the budget process required by the Charter is adhered to.

Status of Corrective Action: Not Implemented

Observations/Findings: Although the City's budget process timeliness improved over the last five fiscal years, the Board did not ensure budgets were prepared and adopted in a timely manner as required by the Charter (Figure 2).

Figure 2: Budget Process – Days Late

Event	2021	2022	2023	2024	2025
Notice of Public Hearing	90	86	38	22	33
Public Hearing	70	66	22	7	15
Board Budget Adoption	71	77	23	6	13
Council Budget Adoption	81	85	25	13	21

Four Council members told us that they are working to ensure the process is completed in a timely manner. The Mayor told us that it is difficult to adopt the budget on time because the City's fiscal year is the same as a calendar year and, as a result, the City does not have all the necessary year-end financial information it needs. She added that she is working to amend the Charter to allow for more time. However, the Board could use sound estimates and historical data to prepare the budget by the timeframe stated in the Charter.

When the Board does not ensure a timely budget process, it decreases taxpayer transparency and can significantly impact the City's cash flow and financial condition.

Recommendation 6 – Re-establish the Capital Projects Board

The Mayor should re-establish the Capital Projects Board as required by the Charter.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Mayor re-established the Capital Projects Board on October 8, 2020, and appointed members with terms that expired in December 2023. The Capital Projects Board included the City engineer, two Council members and the DPW Commissioner. When those terms expired, the Mayor appointed members for another two-year term that expires December 31, 2025.

Recommendation 7 – Provide Interim Financial Reports

The Comptroller should provide the Council with interim financial reports including, but not limited to, budgetary status reports, cash flow reports and fund balance projections.

Status of Corrective Action: Partially Implemented

Observations/Findings: As discussed in Recommendation 2, the Comptroller provided interim financial reports to the Council and other City officials after he began his first term as the Comptroller in January 2022. He also posted these reports on the City's website beginning in July 2022. For example, according to an August 2025 memorandum to the Mayor and Council, the Comptroller provided budget versus actual reports for revenue and expenditures as well as a list of primary concerns such as departmental overtime expenditures exceeding the budgeted amounts.

Although the Comptroller provided some interim reports, he generally did not prepare and provide fund balance projection reports to the Council. The Comptroller told us that he could not provide accurate fund balance projections until the City's financial statements were up to date. Additionally, the Comptroller explained that the accounting records were incomplete when he began his term in 2022 and intends to provide fund balance projections in the 2026 fiscal year.

While we acknowledge that the City's past accounting records were incomplete, the Comptroller should provide the Council with fund balance projections going forward. To accomplish this, the Comptroller could use the unaudited financial information from the quarterly financial reports that were implemented in July 2022. For example, we projected the City's general fund balance as of December 31, 2024, by using the City's 2020 fiscal year-end fund balance and available annual operating results for subsequent years. Unless the City's 2021 audited financial statements indicate a significant operating surplus when finalized, the City's fund balance deficit has likely increased significantly since 2020 (Figure 3).

Figure 3: Fund Balance Projection^a

Reported 2020 Fund Balance	(\$28,892,978)
2021 Operating Results^b	Unknown
2022 Operating Surplus	\$9,489,790
2023 Operating Deficit	(\$6,072,366)
2024 Operating Deficit	(\$6,915,952)
Projected Fund Balance as of December 31, 2024	(\$32,391,506)

a) The fund balance projection was calculated based exclusively on the Comptroller's unaudited quarterly financial statements released to the public and is used here for perspective only. Actual amounts could be subject to change based on updated audited financial statements when completed.

b) 2021 quarterly financial data was unavailable

As noted in Recommendation 2, because the Council did not have fund balance projections available, it did not have complete information to determine how significantly the City's fund balance deficit could impact its ability to continue providing services to residents at current levels.

Recommendation 8 – Work With Independent Auditors

The Comptroller should work with the City's independent auditors to provide the information necessary to complete the 2016 audit, and for all subsequent required audits in a timely manner.

Status of Corrective Action: Partially Implemented

Observations/Findings: Although the Comptroller worked with the City's independent auditors to complete the 2016 through 2020 audits and posted them on the City's website, the 2021 through 2024 audits still have not been completed. According to the Comptroller, the City's accounting records were in significant disarray and there was a six-year backlog of audits when he took office in January 2022. He told us his office worked diligently to rectify the disorganized and incomplete accounting records from the previous Comptroller. The Comptroller also told us he has worked with the independent auditors to complete the remaining independent audits, and the 2021 audit should be completed before the City's current fiscal year end.

As outlined in our audit report, the previous Comptroller did not provide the independent auditors with the necessary information to complete the City's 2016 audit. While the current Comptroller worked with independent auditors to complete the outstanding audits identified in our audit, the City's 2021 through 2024 audits remain outstanding. Therefore, the recommendation was not fully implemented.

Furthermore, because the City has not completed the subsequent independent audits, the rating agency has not yet restored the City's credit rating since withdrawing it on January 2, 2019. Without a credit rating, it is difficult for City officials to issue new debt to finance capital projects or realize cost savings by refinancing current debt at lower interest rates.

Recommendation 9 – Review OSC's Accounting and Reporting Manual

The Comptroller should review OSC's *Accounting and Reporting Manual* (ARM)¹ to determine whether the Urban Renewal Agency (URA) should be included as a component unit in the City's Annual Financial Report (AFR).² If determined that the URA is a component unit, the Comptroller should work with URA officials to obtain the information necessary to file the AFR.

Status of Corrective Action: Fully Implemented

Observations/Findings: The Comptroller told us that he reviewed the ARM and determined the URA is a component unit. He also told us he has worked with the URA officials to ensure that the URA's financial information is included in the financial statements and available when he is able to file the AFR.

We reviewed the City's financial statements and compared them to the 2015-2019 AFRs. We determined that the URA was included as a component unit in the AFRs filed for the 2016 through 2019 fiscal years, as well as the corresponding financial statements. We also reviewed the unaudited financial statements for fiscal years ending in 2023 and 2024 and determined that they contain the information necessary to report the URA in the AFRs for those years.

¹ Available at: <https://www.osc.ny.gov/files/local-government/publications/pdf/arm.pdf>

² During our audit, and at the time of the audit report's release, the AFR was known as the Annual Update Document, or AUD. The AUD became known as the AFR in 2023. Our follow up review uses AFR accordingly.

Recommendation 10 – Ensure Timely Filing of AFRs and Other Financial Reports.

The Comptroller should ensure that AFRs are filed with OSC timely, and any other mandatory financial reporting is completed within the required timeframes.

Status of Corrective Action: Not Implemented

Observations/Findings: When the Comptroller assumed his office, the AFRs for fiscal years 2016 through 2021 were delinquent. Although the Comptroller filed five of the six previously-delinquent AFRs for fiscal years 2016 through 2020, as of December 12, 2025, he had not filed the 2021 through 2024 AFRs. As a result, the remaining delinquent AFRs were between 225 and 1,321 days late.

The Comptroller told us that the AFRs were not filed within the required timeframe because they are filed when the CPA reports are completed. He also explained that the audits for fiscal years 2021 through 2024 are not finished because the records were not accurate or complete when he began his term in 2022. He told us his department has worked diligently to update accounting records left in disarray from the previous Comptroller. For additional information, see Recommendation 8.

Recommendation 11 – Conduct Periodic Audits of All Departments.

The Comptroller should conduct periodic audits of all departments and administrative officials at least once in each year and submit reports to the Board and the Council by June 30 each year.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Comptroller completed internal audits of five of the City's 19 (26 percent) departments since taking office. Four of the five audits focused on overtime spending for the Fire, Police, Recreational and Public Works Departments, and reports were submitted to the Mayor in January 2024. In addition, the Comptroller performed an internal audit focused on the City's Building Department's cash receipts. As a result, the Finance Department began receiving the Building Department collections directly to centralize such collections.

Further, the Comptroller's Policies and Procedures define when periodic departmental audits should be conducted. They instruct the Comptroller to make or cause to be made a complete audit of all departments and administrative officials' accounts, and to provide independent auditors access to records to perform such audits.

Because the City's financial records were in disarray and incomplete when the Comptroller took office, he was primarily focused on ensuring the records were updated. Further, since he was actively working with the independent auditors to complete the City's overdue financial audits, he could only focus on auditing specific departments. Additionally, he believed the overtime audit results caused department managers to actively monitor the City's overtime budget.

Because the Comptroller made an assessment of internal controls, the Council and City officials were able to identify and address cash collection risks. We encourage the Comptroller to continue to audit

individual departments and to provide records to the independent auditors. However, because the City's financial statement audits are not complete, this recommendation remains only partially implemented.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage City officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesy and cooperation extended to our auditors during this review. If you have any further questions, please contact James L. Latainer, Chief of Municipal Audits of our Newburgh Regional Office at (845) 567-0858.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller