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Board of Commissioners
Fishers Island Ferry District
Fishers Island, NY 06390

A meeting was held with Bob Brooks and Chris Edwards, both members of the Board of Commissioners. During this meeting many topics and concerns were discussed. The Commissioners provided us with a list of various audit questions which they wanted answers. As part of the audit we performed additional steps and procedures in order to satisfy the Commissioners requests.

Audit Questions:

1. Ticket book control – ticket books not numbered, tickets not cancelled when collected.

A review of the ticket books revealed that the ticket books are numbered and the inventory control documents were tested for a one month period and found to be complete and accurate.

A discussion pursued on the cancellation of the tickets when collected. This could be done with a simple hole, but that procedure could be overlooked as easily as it could be done. The other thought was to have a two part ticket that the passenger would retain one part and the pursers would take the other part. This does leave the possibility of the passengers haphazardly discarding their part and creating a considerable amount of litter. The fact the tickets are dated and office personnel review the tickets for applicable dates seems to be the best safeguard in this instance.

There was discussion regarding the pursers taking tickets home with them. This, on very rare occasions, happens. The individual preparing the daily report will inform the office personnel and will obtain the tickets before reconciling the report. It was recommended that when this occurs that a note be made on the report that it was late for that reason.

It was noted that employees get free tickets and it was felt that any employee has access to the computer to print tickets. This was not an easy concern to observe, our thoughts were that the system should be password protected and only authorized personnel should be behind the ticket counter.

2. Credit card fees seem excessive – help advice.

A review of the fees from 2008 to 2009 showed a decrease in fees of \$15,000. This was due to a switch in service providers who charged a lower fee. The fees were reviewed and compared to credit card sales and were found to be in line. These fees typically, in the past, have grown due to the on line purchasing and the ease of use for credit cards.

In considering credit card use and its use for the District it reduces the amount of cash that is handled and therefore cuts down on potential theft issues.

3. Payroll – concerned about overtime and expense control.

There was a lot of concern around the use of the time clock and the possibility of overrides to the system. We selected July and August of 2009 for review. We reviewed the time on each employee's time card to the payroll report submitted by Mark Easter. For every questioned timecard Mark substantiated the change. Mark maintains a diary book where he keeps notes about pay exceptions and changes. We found the reason for the exception to be reasonable. The bulk of these exceptions dealt with weeks where there was vacation, sick or holiday pay.

There was concern over the payment of overtime. What we found was the overtime was correct but being recorded as straight time on the employee's paycheck. An example is necessary to better explain this: if an employee works 10 hours of overtime he is entitled to be paid at a rate of 1.5 times his normal rate. Mark would increase the employees pay for the half pay by recording 5 more hours on his time report. The Department of Labor requires that overtime be stated separately and Mark has made that change. Reporting is now accurate. The overtime was being calculated on a weekly basis as required by the Department of Labor.

There are specific laws regarding rounding for an employee's time. A clock in time can be rounded to the nearest fifteen minutes. It was noted that this was being done properly for the part time employees. In the case of the full time employees the time clock automatically rounds their time to their scheduled start time. It is recommended that the rounding function not be used on the time clock and the employee's actual time clocked in should be on the card. There is not a lot of clarification in the Department of Labor's literature about time clock use, but our contact at the Department, John Allen, strongly recommended not having the computer round an employee's time.

4. Expenses for the Ferry owned white truck.

There was concern over the use of the truck and the insurance on the truck. During the winter months the truck resides at the airport where it is used to clear snow. For the rest of the year it is driven a few miles each day by the Manager of the Ferry District. The truck is also available for employee use when traveling for Ferry District purposes. This was deemed prudent as the standard mileage rate for reimbursement for travel far exceeds the actual cost to run the truck.

We contacted Randall Carnahan, the account executive, to verify the insurance on the truck. The vehicle is insured in accordance with New York State Law which does require the insurance company to cover the truck when it is used out of state. This works just like an individual's vehicle insurance which covers you when you go out of state on vacation, etc.

5. Excise Tax

The question on the excise tax was whether the tax applied to the District or not. There are several ways to be exempt from this tax, as a municipality or for marine use. You don't qualify the municipality exemption because you are a New York organization, but the District does qualify for the Marine exemption. Annually you will be required to file Connecticut form AU-724 to request the refund of the taxes paid. We would be available to assist you with the documentation needed to file a claim for the refund.

6. Where does the money show up that was left over?

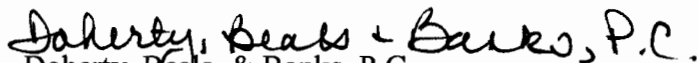
The Ferry District operates in the same fashion as a for-profit business. All the funds of the District are kept separate from the Town's funds. There are currently six bank accounts held under the District's name and federal identification number. "Left over" cash is held in these accounts. At December 31, 2008 there was \$311,048 in those accounts and at December 31, 2009 there was \$278,958 in those accounts.

7. Use of related parties for District activity.

This concern was not listed on the audit questions sheet but was brought up during the meeting. We reviewed the enabling act which details the prohibited transactions. Although the act is very clear the Memorandum from the District's Corporate Attorney, Brian T. Egan, provides many court cases in which substance of a transaction takes precedence over form. Attorney Egan's opinion also states that in the absence of qualified individuals to provide services it is acceptable to use an individual or business that is deemed a related party.

This was more of a legal question. We reviewed the act and the memorandum and felt that your attorney provided the District with the safeguards and the grounds for continuing the existing relationships.

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Doherty, Beals, & Banks, P.C.