



CITY OF OCEAN CITY

AMERICA'S GREATEST FAMILY RESORT

DEPARTMENT OF FINANCIAL MANAGEMENT

To: New Jersey Office of the State Comptroller

From: Frank Donato III, CFO

A handwritten signature in blue ink, appearing to read "Frank Donato III", enclosed in a blue oval.

Date: 6/19/2025

Re: Response to Draft Audit Report (previously emailed)

Hello everyone, as promised please accept this email as our response to the draft audit report that was forwarded to the City on 6/6/25.

First and foremost I want to address a portion of the report on page 4 under the section titled "Compliance with Financial Reporting Standard". This section states that the City's auditor did not report the failure to disclose required and likely material information about the pension program in the City's annual audit reports. As part of this engagement with the OSC the City supplied the requested annual audits for the audit period. The reports themselves are each unqualified audits, meaning they contained no findings. However other recommendations or comments are often listed in the management letters that accompany the audit. I've attached copies for the prior three years. You'll notice that in the 2021 letter the GASB 73 requirement was first mentioned. Since then it's been mentioned as a repeat comment. Please take this information into account and consider rewording this section of the audit.

I also want to take the opportunity to explain what actions the City has taken since the 2021 audit management letter which would have been issued in 2022. The City began searching for an actuary right away that could fulfill the GASB 73 obligation. Firms that perform this type of analysis are few and far between apparently. We searched for several months to find a willing actuary, starting with the firm that does our GASB report for health benefits, however they had no interest in this type of engagement. We finally found a company out of Virginia who was willing to take on the report and sent us a quote. However subsequent to supplying us with a quote the company failed to continue to be responsive to the City over the course of several more months. We finally found a willing and capable actuary in 2024 and issued a purchase order to formalize the engagement. Please note in the 2023 management letter (issued in 2024) this activity is mentioned as a subsequent event update. Although the City is actively engaged with Summit Benefit Consultants, we are still exchanging the necessary reports and statistics to allow them to complete the GASB report. Therefore, unfortunately as of the issuance of the OSC audit, the City doesn't have the report in hand. If consideration could be given to also mention a subsequent event update, similar to our 2023 management letter, we would appreciate it.

Thanks.

