
Introduction:

As authorized under Article V, Section 5-501, of the Charter of the City of Syracuse, an examination into the expenditure components of the annual budget for the City of Syracuse, New York for the fiscal year ending June 30, 2003 was conducted. The examination was administered in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as circulated by the Institute of Internal Auditors.

These standards require that we plan and perform the examination to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under examination. It was not our objective to, and we do not, express an opinion on the financial statements of the City of Syracuse, New York or provide assurance as to either the City's internal control structure or the extent of its compliance with statutory and regulatory requirements and guidance of the Office of the State Comptroller.

The management of the City of Syracuse, New York is responsible for the City's financial affairs and for safeguarding its resources. This responsibility includes establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that resources are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with management's authorization and are properly recorded; that appropriate financial records are prepared; that applicable laws, rules and regulations are observed; and that appropriate corrective action is taken in response to audit findings.

This report is intended solely for the information of the Mayor, Common Council and involved departments of the City of Syracuse, New York yet it is understood to be a matter of public record and its distribution is not limited. Further information regarding this audit is available at the City of Syracuse's Audit Department upon request. The Audit Department would like to thank the personnel who assisted and cooperated with us during the audit.

Auditor's Note:

The Expenditure Examination is performed to fulfill the requirement as mandated by the City of Syracuse Charter Article V, Section 5-501 which states "conduct, at least annually, an audit of every officer, department and board of the city." Previous to the external auditing services, the City Auditor performed the financial statement audit to fulfill this requirement. To avoid the duplication of efforts, the Expenditure Examination was created as a replacement when the external auditing services began.

The current City Auditor took office on January 1, 2004. At that time, the Expenditure Examination ending June 30, 2003 was partially completed. The City Auditor made the decision to follow the audit program previously established and conclude this audit. In the future, the City Auditor will reform this audit program, in compliance with Article V, Section 5-501, to better serve its users.

Scope:

The scope of the examination entailed reviewing all general fund account expenditures for each department, office, bureau, and division, excluding special objects of expense, for the City of Syracuse for the fiscal year ending June 30, 2003.

Objective:

The objectives of the examination were to determine if the general fund expenditures, excluding special objects of expense, were used in accordance with their revised authorized budgeted amounts and to determine the efficiency of communications between the departments and corresponding budget representatives. The examination also established if the expenditure data under review was represented in the City's Budget Book in the most effective manner for its intended users.

Methodology:

The methodology followed in the audit was to examine each department's expenditures, excluding special objects of expense, accounted for in the general fund. A budget variance on each account and individual line item was analyzed and, using a predetermined percentage, a sample of accounts was chosen for further investigation. Thirty-two percent of the general fund expenditure accounts under review were chosen for further investigation. Consequently, for each account in the test sample, the individual line items were examined in greater detail. Financial data was retrieved from the City's AS400 and ACS software systems.

Discussions were held with the department and budget representatives responsible for the selected expenditure accounts to obtain clarification on discrepancies between actual and budgeted expenditures. If necessary, further research into specific expenditures was completed for supplementary explanations.

Testing Results:**Variance Report Analysis**

Please refer to the attached Expenditure Variance Summary and Line Item Variance Reports for the budget to actual expenditure analysis for the fiscal year ending June 30, 2003. Departmental descriptions extracted from the City's Budget Book are also provided as a reference before each section of Line Item Variance Reports.

The revised authorized budget for fiscal year 2003 provided for expenditures totaling \$98,309,424 while actual expenditures were \$98,348,171. *The City experienced a budget shortfall of \$38,747, or .04%. The net difference between budgeted and actual expenditures for the fiscal year is immaterial.*

The City's overall deficit was significantly lowered by accounts under budget countering those over budget. The Police Department's Uniform Bureau (Non Civilian) held the largest deficit at \$2,843,950 over budget. *This deficit is three percent of the City's entire revised budget for the fiscal year.* The Fire Department's Main Fire Bureau (Non Civilian) held the largest surplus at \$554,606 while DPW's Division of Transportation was a close second at \$527,871 under budget.

Explanations for Variances

As noted before, a predetermined benchmark was used to select a sample of accounts to test further. From this sample, a fixed percentage and/or dollar amount was used to determine the account's individual line items to be examined. Thirty-two percent of the general fund expenditure accounts under review were chosen for further investigation.

The factors generally attributing to the accounts' individual line items being under budget were position vacancies, lack of demand for supplies, repairs and such, the shifting of programs to other departments or efforts by the staff to minimize expenditures. The efforts by staff to minimize the expenditures were seen in many ways; for example, the Bureau of Research acquired third party sponsorship for a training expenditure. Several reimbursement and grant lines also came in less than expected due to over estimations. It should also be noted that several accounts require budgeting in full which may result in a lesser amount of actual expenditures. This can be seen in the Board of Elections coming in under budget overall by \$87,043, or 24.17%.

The origins of the accounts' individual line items being over budget were additional personnel services to cover staff shortages, unexpected repairs needed, contractual increases or system errors. Several reimbursement and grant lines also came in more than expected due to under estimations. As noted before, a shortage in staff caused expenditure lines such as overtime or temporary services to come in over budget. This is most apparent in the Police Department's account 31230 overtime expenditure line which came in over budget \$2,053,252, or 46.59%, due to a serious shortage in sworn position, gang violence and heighten security alerts. Yet any additional detail needed at the Airport for the heighten alerts is reimbursed to the City by the Airport as seen in the account's line 191 coming in over budget.

The system errors noted above were found in the Common Council, Police and DPW accounts tested. The Common Council general ledger accounts, 10100 and 10110, are shown combined as account 10100 in the City's Budget Book. When entered into the general ledger, the budgeted figures for the salary lines were improperly separated. This caused the 10100 account to appear under budget and the 10110 account to appear over budget. The DPW Division of Grounds Maintenance account, 16220, was over budget due to a number of expenditures being accounted for in the wrong account. This Division was moved to the Parks, Recreation and Youth Programs Department in this fiscal year and any expenditure to this account should be payroll accruals or prior year encumbrances. Lastly, the Police Department Uniform Bureau accounts, 31230 and 31231, are also shown combined under account 31230 in the City's Budget Book. When the budgeted figures were entered into the general ledger, the figures for the special grants less line were entirely entered to account 31230. The actual grants for account 31231 were properly reported in its less line causing it ultimately to appear over budget. It should be noted that the grant monies are estimations and placed into 31230 due to unknown information at the time of budgeting. Yet once it was known that the monies were to be accounted for in the 31231 account, a transfer of funds for the budgeted monies should have been prepared.

Department and Budget Representative Comparison

When the explanations given for the variances by the department representatives were compared to those given by the Budget Analysts, it was determined that communications overall were satisfactory. The majority of differences uncovered between the explanations given by the department and budget representatives can be mainly attributed to personnel changes in the Budget Department. The Budget Analysts for several of the accounts and the Budget Director during the audited time period are no longer with the City.

Findings & Recommendations:

Finding 1: Inconsistency from Budget Book to General Ledger

Five cases were discovered where accounts are shown as one in the Budget Book and then separated into two in the general ledger. This is inconsistent to how the other accounts are handled.

The accounts are those for the Common Council, Police Department Uniform Bureau and General Services Bureau, Fire Department Main Fire Bureau and Fire Prevention Bureau.

Recommendation 1:

Consistency in the reporting is needed. It is recommended that the accounts in question are either completely combined or completely separated in the Budget Book and general ledger. This will reduce any errors in entering the budget figures, improve conformity and represent the data in the Budget Book in a more effective manner for its users.

Finding 2: Incorrect Reporting in Deleted Account

Several expenditures were improperly reported in the account 16220, DPW Division of Grounds Maintenance. These errors are immaterial yet should be noted for internal procedures and control.

Recommendation 2:

Due diligence should be used upon the deletion of a general ledger account. System controls should be reviewed or established to prevent such errors.

Finding 3: Absence of Transfer of Appropriations

There was a lack of transfers of funds for the fiscal year to properly account for the deviations from the authorized budget.

When a *line item* within a department's budget has the likelihood of going over budget, the Budget Analyst recommends the transfer of funds from another line item in the department's budget. Upon the Budget Director approval, the transfer is submitted to the Mayor for final approval. Historically, these types of transfers were completed throughout the year on an as needed basis.

When a *department* has the likelihood of going over budget, the Budget Analyst recommends the transfer of funds from another department's budget. Upon the Budget Director approval, the transfer is submitted to the Common Council for final approval. Historically, these transfers were done in bundles at mid year and year end.

Recommendation 3:

Although the transfers of funds are not *required*, it is the City Auditor's opinion that they represent the appropriate approval policy for any deviations from the authorized budget. Improved oversight throughout the process is needed with regards to the accounts. It is the responsibility of the Office of Management and Budget to enforce the transfer of fund policy when appropriate.

Due to the mixed answers received by the individual departments as to why the transfers weren't done, the City Auditor strongly recommends that this policy be clarified in a written policy and procedure manual and distributed to the appropriate department staff.

Conclusion:

The Audit Department found that the specific objectives and goals regarding general fund expenditures, excluding special objects of expense, as established by the City's budget for the fiscal year ending June 30, 2003 were altered to accommodate overages in the Police Department. Expenditures that caused accounts to be over budget were outweighed by the conscious efforts to minimize expenditures in the other departments, bureaus, divisions and offices. *Ultimately, the City's total expenditures under review were only \$38,747, or .04% over budget.*

Philip J. LaTessa
City Auditor

April 7, 2005