

**CITY OF SYRACUSE
REPORT OF THE
ELECTED CITY AUDITOR**

**CASH AUDIT OF THE SYRACUSE FIRE
DEPARTMENT**

**PHILIP J. LATESSA
SYRACUSE CITY AUDITOR**

**Report of the Elected City Auditor
Philip J LaTessa**

Matthew J. Driscoll, Mayor
City of Syracuse, New York

Members of the Common Council
City of Syracuse, New York

John T. Cowin, Chief of Fire
City of Syracuse, New York

This report presents the results of our cash audit of the Syracuse Fire Department as of March 15, 2006.

We conducted our examination in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under examination. An audit also includes assessments of applicable internal control and compliance with requirements of law and regulations when necessary to satisfy audit objectives. The management of the City of Syracuse, New York, is responsible for establishing, maintaining and complying with the internal control structure and for compliance with applicable laws, regulations and contracts.

This report is intended solely for the information of the Mayor, the Common Council and the Fire Department of the City of Syracuse, New York. However, this report is a matter of public record and its distribution is not limited.

We would like to thank all the Syracuse Fire Department personnel who assisted and cooperated with us during our examination. If you have any questions, please contact the Department of Audit.

Philip J. LaTessa
City Auditor
May 25, 2006

**City of Syracuse
Department of Audit**

Cash Audit of the Syracuse Fire Department –March 15, 2006

INTRODUCTION:

As authorized by Section 5-503 of the City of Syracuse Charter, an examination by the Auditor in matters of moneys in possession of the city shall be substantially continuous. An unannounced cash audit of the Syracuse Fire Department was conducted on March 15, 2006. 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 necessitate that the audit is planned and performed to attain a reasonable foundation for the judgments and conclusions regarding the function under examination. This review also included evaluations of applicable internal controls and compliance with requirements of law and regulations when necessary to satisfy audit objectives.

The management of the City of Syracuse, New York, is responsible for establishing, maintaining and complying with the internal control structure and for compliance with applicable laws, regulations and contracts.

This report is intended solely for the information of the Mayor, the Common Council and the Syracuse Fire Department 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 Syracuse Fire Department personnel who assisted and cooperated with us during our audit.

BACKGROUND INFORMATION:

The Fire Prevention Bureau is a sub-division of the Syracuse Department of Fire. It is located in the Public Safety Building, and is responsible for the enforcement of the Fire Prevention Code and regulations dealing with the protection of the public. The Bureau enforces regulations regarding the use and storage of explosive, flammable, and hazardous materials. The Bureau performs inspections and issuance of permits for: fuel installations, cutting and welding, explosive storage, dry cleaning plants, tents, propane gas installations and other hazardous processes.

The Bureau staff, housed on the sixth floor of the Public Safety Building, handles the receipt of cash and checks from individuals and businesses for copies of fire reports that are requested for insurance and other purposes. Individuals and businesses required to obtain various types of fire permits can make payment in the Fire Prevention Office, although payments are also collected by the professional staff of the Fire Prevention Bureau during site inspections that are made on a regular basis.

The Bureau accepts either cash or checks, but does not accept credit cards. For the purpose of this audit and in keeping with Government Auditing Standards, the Department of Audit does not distinguish between cash, checks or credit card charges. All are treated as "cash". The specific reports and/or fees collected on by the Syracuse Fire Department are exempt from sales tax computation.

Basically, two employees of the Fire Prevention Bureau do the billing and collecting of revenues for copies requested and permits issuance. The office is staffed by a Typist II who assists a Fire Lieutenant whose time is split between the office and site visits. The office hours are nine a.m. to five p.m., Monday through Friday. A number of prior cash audits revealed to the audit team a pattern of starting cash banks being maintained in the departments with no information pertaining to the imprest balances having previously been communicated to the Finance Department.

What was discovered during this particular audit is that the Fire Department in fact keeps no cash imprest amount on hand to provide bills and/or coin change for people who do not come in with exact change, with the exception of approximately one to three dollars in change which had accumulated over time as the result of the over/under payments received by the bureau. We found that the general practice is to check with the various staff in the bureau, or other staff in the general area of the bureau, at the time of a transaction to see if they had the necessary change from their own pocket. We were informed that in some cases, the correct change would be provided to the public and the staff person providing the change would be reimbursed at the time that the next deposit was prepared for delivery to the Bureau of Treasury at City Hall.

Moneys are accumulated in an unlocked metal cash box until the accumulated total gets large enough that the lieutenant responsible for the cash register operations feels that cash/checks should be taken to City Hall for deposit. We were informed that receipts are deposited approximately every two to four weeks, depending on volume of cash and checks received; on those occasions the cash kept in the cash box is adjusted back to the change from the over/under payments. When we performed the cash audit on March 15th, we were told that the most recent prior deposit had been made on February 23, 2006.

Between deposits, receipts and the above noted miscellaneous change kept in the unlocked metal cash box are retained in one of the drawers in a metal filing cabinet in the Fire Prevention Bureau. The filing cabinet is left unsecured (unlocked) since other drawers contain materials (i.e. cameras and film) used by Fire Prevention Investigative staff during fire/arson investigations.

The lieutenant responsible for supervising the cash operations and the Typist II prepare the revenue reports, deposit slips and reconcile the bank statements using the several accounting ledgers and/or tracking logs maintained in the Fire Prevention Bureau.

OBJECTIVES:

1. Determine if cash is adequately safeguarded and accounted for
2. Gain a general understanding of the operation to support future risk analysis

SCOPE & METHODOLOGY

Our examination of March 15, 2006, was intended to be a physical count of the cash and checks in the cashier drawer and reconciliation of cash and checks on hand to the daily imprest balances plus the cash and checks collected over the counter, per cash register tapes and/or daily recap sheets maintained in the department.

We were informed that there were no written procedures; we documented procedures as they were verbally disclosed during our interview sessions. Our examination included testing of cash on hand only and did not encompass cash in banks. In addition, our examination did not entail the examination of cash in any other department of the City of Syracuse other than the cash in the Fire Prevention Bureau.

CONCLUSION:

With reasonable assurance, the Department of Audit determined that on March 15, 2006, the cash on hand and prior days' receipts were adequately accounted for at the Syracuse Fire Department. The Department of Audit also determined the receipts were properly deposited in appropriate depository institutions.

However, at the same time, it could not conclude that the moneys on hand were adequately safeguarded prior to the revenues being deposited in the Bureau of Treasury, as was noted in the background information. This aspect of the Fire Department's handling of cash, as well as the regularity of deposits, are commented on in the Findings and Best Practices Recommendations sections which follow.

FINDINGS AND RECOMMENDATIONS:

Finding 1: Cash And Checks Not Adequately Secured

Finding: The cash audit of the Fire Prevention Bureau, Department of Fire, revealed that there was insufficient safeguarding of the cash and checks held by the bureau prior to a deposit being made at City Hall. The lack of adequate securing of cash and checks creates a potentially undesirable environment where fraud is made easier. While we all would like to believe that the staff of all city departments is honest and above suspicion, internal controls are needed in each and every city cash operation where the potential for fraud and theft exists.

Recommendation:

The Syracuse Fire Department must immediately secure the cash held in the Fire Prevention Bureau, preferably by retaining cash in a secured cash box, which in turn, needs to be kept in either a safe within the department or a secured filing cabinet if use of a safe is not possible.

Finding 2: Establish An Imprest Balance To Make Change For Public Making Payments At Fire Prevention; Method And Amount Of Cash Bank Should Be Communicated To The Finance Department

Finding: As noted in the background information, there is no imprest balance, or cash bank, maintained in the Fire Prevention Bureau which would provide the necessary change for cash transactions. This results in the practice of Fire Prevention staff and a number of other staff working in the vicinity of the Fire Prevention Bureau being required to participate in providing change to the public.

Recommendation: To alleviate the situation outlined in Finding #2, and establish an acceptable system for a cash operation, the Department of Fire is encouraged to work with the City's Finance Department in determining the amount needed to establish an imprest account that will thereafter be shown on the City's ledger.

Finding 3: Implement More Internal Controls Over Cash Receipts Books Used In The Field And Reconcile Receipts Issued With Deposits Made

Finding: In gaining a general understanding of the operations of the Fire Prevention Bureau, it was noted that the lieutenant used various cash receipt books for the issuance of permits when he was in the field. As described to the audit team, there is no internal tracking of the numbered receipts provided to individuals or businesses which pay for permits. Additionally, some individuals do not want or need receipts so there is no matching up of moneys taken in with a receipt number.

Recommendation: The Fire Prevention Bureau needs to establish adequate internal controls to provide a reconciliation of all moneys taken in by staff in the field to the numbered receipts carried. Every individual and/or business receiving a permit should be issued a receipt. All receipts need to be accounted for, even when receipts are voided for some legitimate reason. The receipt number should be tied to information included in the deposit cash summary sheet used when deposits are made at City Hall.

ADDITIONAL RECOMMENDATIONS:

In keeping with Best Practices Recommendations, the following five suggestions are made as part of the unannounced cash audit visit to the Syracuse Fire Department. These suggestions do not imply that the Department of Audit had findings that required corrections, but rather are in keeping with the internal control systems encouraged by the Department of Audit in the hope that the Fire Department's internal professionalism will motivate management to take actions necessary to improve the cash management operations currently in place.

Best Practices Recommendation #1: A written manual detailing the procedures to be used for cash handling should be prepared. This document would improve continuity within the department as individuals retire and/or leave city employment and when new employees enter the department. It would also meet the best practices preference to have procedures in written form as a resource for all employees within the department who are charged with responsibility for handling receipts for either the Records or Identification Bureaus.

Best Practices Recommendation #2: At the time of the unannounced visit to the Fire Prevention Bureau, it had been approximately three weeks since the last deposit had been made and the bureau was holding receipts in the amount of \$1,740.00. While the total for the cash and checks that accumulated is not a material amount, better safeguards are needed for improved cash management. The Fire Department should make regular deposits at least every two weeks

Best Practices Recommendation #3: As observed by the audit team, a number of reports and summaries are maintained by the Fire Prevention Bureau. The Department of Audit recommends that the bureau evaluate the reports currently being generated and determine how to consolidate the information from the various systems onto a single (or fewer) summary document(s).

Best Practices Recommendation #4: As reported to the audit team, there is no third party review and sign-off in the preparation of deposits made by the bureau, other than

those made by staff actually receiving and handling cash. For internal control purposes, a third party review and signing-off is strongly recommended to lessen the risk element associated with the handling of cash.

Best Practices Recommendation #5: The audit team recommends establishing a single cash receipt log that would consolidate and centralize in one document all cash, checks, etc. received in the office and by staff in the field. This would be a basic tool for reconciling receipts in an easily understandable way for both current staff and any future staff that would eventually become part of the Fire Prevention Bureau.

On May 25, 2006, the Syracuse Fire Chief drafted and forwarded to the City Auditor the following management response to the Cash Audit completed by the Department of Audit:

“After reviewing the Audit Report by myself and Deputy Chief Daly, the Chief in charge of the Fire Prevention Bureau, this Department of Fire will begin the process of implementing all of the recommendations made to this department as a result of the on site audit of March 15, 2006.”

The Chief further stated that the Department of Fire welcomes any input that improved the efficiency of any aspect of the operation.

The City Auditor expresses his appreciation for the Fire Department’s internal professionalism and cooperation in addressing the findings included in this audit.

Philip J. LaTessa
Syracuse City Auditor
May 25, 2006