
Introduction:

As authorized by Article 5, Section 5-508 of the City of Syracuse Charter, an examination of the Department of Finance's receipts and disbursements relating to licenses for the period January 1, 2005 through March 31, 2005 was conducted. The Charter necessitates the review be conducted monthly and the Audit Department has elected to issue the reports on a quarterly basis. 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 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 Department of Finance 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 Department of Finance personnel who assisted and cooperated with us during our audit.

Scope:

The scope of the audit entailed reviewing all license related receipts and disbursements for the Bureau of Treasury, Department of Finance for the period January 1, 2005 through March 31, 2005.

Objective:

The objectives of the audit were to determine with reasonable assurance that the financial data was accurate and properly recorded and that adequate operational and control procedures existed for the license function at the Bureau of Treasury, Department of Finance.

Methodology:

To reach this assurance, the Audit Department selected five days per month to test the Cash Reports for mathematical accuracy. The types of license granted on the cash reports and the fees collected were also verified to appropriate rules and regulations. The receipts were then traced to the corresponding general ledger accounts and bank accounts to ensure proper recording. All related vouchers during the audit period were reviewed for appropriateness and accuracy. The monthly detailed databases, which itemize the receipts by date and category, and the vouchers were also traced to the Monthly Balancing Sheets and general ledger.

Findings and Recommendations¹:

Finding 1: License Application Inaccuracies

When comparing the regulated licenses and fees to the actual licenses and fees posted by the Bureau of Treasury, an alarming amount of inadequacies was discovered. Out of forty six licenses offered, twelve did not have applications available and fifteen had misstatements. Also, the Bureau of Treasury posted four applications for licenses that did not currently exist. Please refer to Attachment 1 for a schedule of this investigation. This is noted as a finding since these flaws appear to have caused further mistakes in the license process

Recommendation 1:

It is the duty of the Finance Department to ensure information concerning the licenses required for doing business within the City is accurate and readily available for the public. The City Auditor advises the Bureau of Treasury to immediately correct the license applications and fees posted by the bureau. Attached is an up to date list of the licenses along with the fees that are under the responsibility of the Department of Finance (Attachment 2). The accuracy of the list was confirmed by the Law Department, City of Syracuse.

Finding 2: Incorrect License Granted/Fees Improperly Charged

Several errors were uncovered in the random sample of cash reports chosen to test for accuracy and appropriateness. Out of one hundred and eight transactions tested, seventeen (16%) were found to have errors. These errors can be categorized into two groups 1) minor miscalculations and 2) incorrect fees due to misapplications.

Minor Miscalculations

Six of the errors were from miscalculations on the cash report. The errors of this nature ranged from minor mathematical mistakes, failure to charge the first time fee for a taxicab/airport bus driver's license and failure to charge for the proper number of locations or devices.

Misapplications

Eleven of the errors stemmed from incorrect licenses being granted thus resulting in incorrect fees. The licenses concerned were the entertainment/floor show in a restaurant/hotel dining room, dance floor in a restaurant/hotel dining room, food vendor, concert, dance and circus licenses. The specifics are noted below.

In the tested sample, one error was uncovered where an applicant applied for and was granted the licenses titled entertainment/floor show in a restaurant/hotel dining room and dance floor in a restaurant/hotel dining room. It appears that the City's Finance Department combined the two licenses into one application yet only noted the entertainment license fee by error. In this case, the applicant was applying for both licenses but was not charged for the dance floor element.

¹ On April 12, 2005, the Audit Department issued the license function audit report for the period July 1, 2005 through September 30, 2005. Since the errors found were reported at that time, the findings and recommendations for this audit are consistent to those previously found. It is understood that these errors will continue until approximately the April 2005 period.

Five cases were uncovered where the applicants were granted a one day food vendor license for \$20. Per the city ordinances, no such license exists. For these cases, the most applicable license is the one week period for \$100, per Section 14-44(d) of the Revised General Ordinances.

Five cases were uncovered where applicants were improperly classified under an “exhibition/entertainment” license with a fee of \$55. One license was for a fundraiser event held by a charitable organization which, under Section 5-2(c) of the Ordinances, is exempt from these licensing fees. Two events were for dance parties which would fall under the one night dance license that has a fee of \$10. Lastly, one of the events should have been granted and charged for the indoor circus license with a daily fee of \$25. The concert, dance and circus licenses are all found in Section 5-6(b) of the City’s Revised General Ordinances.

Due to the amount of errors uncovered in the test sample, further research was conducted into the general licenses for the entire audit period. Numerous errors were uncovered relating to certificate of use, taxicab/airport bus driver’s license, dancing in a restaurant or hotel dining room, entertainment or floor show in a restaurant or hotel dining room, concert, indoor circuses, dance (one night) and food vendor licenses. Altogether, the net effect of the general license errors uncovered is an additional \$1,545.00 owed to the City for the period. This figure represents 4% of the total general license fees collected for the period. The Department of Finance has been provided a detail of said errors.

Recommendation 2:

It is the duty of the Finance Department to properly administer and enforce the issuance of licenses in the City as set forth in the charter. Immediate action is needed to ensure the proper licenses and corresponding fees are charged henceforth. Along with correcting the license applications available, the City of Syracuse should also make certain the staff responsible for processing, supervising and enforcing the licenses is always well informed on the regulations governing the function.

Finding 3: Lacking Internal Controls for Daily Receipts

The Audit Department was unable to ensure the list of Cash Reports was complete due to the lack of controls. The absence of pre-numbered sequential cash reports creates a risk for fraud in the revenue cycle.

Recommendation 3:

It is the duty of the Department of Finance to ensure all monies received are controlled properly. The City Auditor advises the department to pre-number the Cash Reports to improve the controls for the revenue cycle. If the City’s printing service is unable to pre-number such reports, there are stamps available at office supply stores for this purpose.

A reconciliation of utilized Cash Reports at month end should be a duty segregated from the Clerk responsible for completing the Cash Report at the time of transaction to provide stronger checks and balances.

Conclusion:

The Department of Audit uncovered a multitude of errors regarding the types of general licenses granted and corresponding fees collected for the period January 1, 2005 through March 31, 2005. Excluding the errors noted above, the Department of Audit determined with reasonable assurance that the license related receipts from January 1, 2005 through March 31, 2005 were free from material misstatement. Please refer to Attachment 3 for a year to date schedule of said receipts.

Management Response:

I have reviewed the findings within your audit and will be addressing the issues with the Licensing Clerk. I am in the process of completing a review of the applications on file and the matching of the applications with the appropriate license & fee. The review is to ensure that Pam is associating the proper paper work with the proper license and fee. It may be a need for more attention to detail to address some of the findings. I do question how your department can assume an incorrect license was issued when there is no contact by your office with the business submitting an application and their purpose for applying for a particular license.

The findings will be addressed to decrease the number of errors and to ensure proper processing, issuance, and enforcement of all licenses.

Audit Department Comments to the Management Response:

The following information is provided in response to concerns raised on how the department concluded several licenses were incorrect. In the majority of the cases, the Audit Department was able to determine the purpose of the license application from the actual information stated on the application. For example, sections of the applications where the applicant is asked to give the “type of event or show” or “the exact nature of the activity you seek to have licensed” were the most informative. These statements as well as the Auditor’s own general knowledge of businesses in the area were mainly used in concluding the purpose of each license application. The Auditor also utilized the internet to research license applicants in several cases.

Additional Auditor’s Note:

1) In February 2005, Bureau of Accounts created account 01.0.2548 to report the certificate of use permit receipts. Previously, these receipts were accounted for in account 01.0.2545. Journal entries were made on February 28, 2005 and June 30, 2005 to transfer the receipts collected for the certificate of use permits into the new account. In relation to the period January 1, 2005 through March 31, 2005, \$1,400 was transferred from the general license account, 01.0.2545, to the certificate of use account, 01.0.2548.

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