

**City of Syracuse
Department of Audit
License Function Review
Fiscal Year Ending June 30, 2004**

**REPORT
OF THE ELECTED
CITY AUDITOR**

To the: Honorable Mathew J. Driscoll, Mayor
 City of Syracuse, New York

 Members of the Common Council
 City of Syracuse, New York

 Brian L. Roulin, Commissioner, Department of Finance
 City of Syracuse, New York

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 July 1, 2003 through June 30, 2004 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 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 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.

Auditor's Note:

Per the Charter, a review of the license function relating to the Department of Finance, Bureau of Treasury is to be conducted on a monthly basis. The Audit Department has brought this review current with the issuance of the fiscal year ending June 30, 2003 and fiscal year ending June 30, 2004 reports. Going forward, this review will be performed on a monthly basis with a quarterly report issued.

Scope:

The scope of the audit was financial and operational in nature and covered the period from July 1, 2003 through June 30, 2004. The audit was performed to determine with reasonable assurance that financial data was properly recorded and adequate operational and control procedures existed in the license function pertaining to the Department of Finance, Bureau of Treasury.

Methodology:

To reach this assurance, the Audit Department tested the license related Cash Reports, monthly detailed databases, Monthly Summary Sheets and general ledger. All vouchers related to the license function were also reviewed for appropriateness.

Findings and Recommendations¹:

Finding 1: 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.

Recommendation 1:

The City Auditor advises the Department of Finance to pre-number the Cash Reports to ensure all monies received are controlled. 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.

Finding 2: Incorrect Percentage Charged

A few cases in the test sample were discovered where the licensee was charged five percent instead of the proper three percent for its bingo receipts. Although these errors are immaterial, the City Auditor believes measures could be taken to reduce said errors.

Recommendation 2:

The City Auditor recommends the license staff use due diligence when calculating the bingo and games of chance receipt fees. Since the staff currently calculates these charges in bundles, an excel spreadsheet may be considered useful when preparing the Cash Report. This would be kept attached to the License Clerk's copy of the Cash Report.

Finding 3: Errors Resulting in Improper General Ledger Posting

Several general ledger posting errors deriving from Cash Report flaws were uncovered throughout the audit. Although these errors were discovered by the Department of Finance and corrected within a reasonable time frame, the City Auditor believes measures could be taken to reduce the on-set of said errors.

¹ Due to the time frame between the audit concluded on fiscal year ending June 30, 2003 and this audit, several of the findings and recommendations correlate to those previously found. The same types of errors were discovered during this audit.

Recommendation 3:

The City Auditor advises the Department of Finance to create a guideline which details license revenue transactions and the corresponding account(s) to be posted during such transaction. This guideline can serve as a reference to the staff responsible for completing the Cash Reports. Also, the staff responsible for entering the receipts into the general ledger would refer to the guideline to validate the accounts recorded on the Cash Reports.

Finding 4: Lacking Effectiveness and Efficiency in Reporting Procedures.

Several discrepancies were found when tracing the figures from the detailed database to the Monthly Summary Sheets. Also, calculation errors and information deficiencies were discovered on several Monthly Summary Sheets. Although these errors did not result in material inaccuracies in the general ledger, it is suggested that the Monthly Balancing Sheet procedures be improved upon.

Recommendation 4:

It must be clear that the Monthly Balancing Sheet's purpose is to reconcile the monthly receipts, via the detailed database, and disbursements, via payment vouchers, to the figures stated in the general ledger to ensure recording accuracy. Any discrepancies found due to events such as checks returning non sufficient funds or posting errors should be noted separately with the explanation clearly stated.

Also, the City Auditor advises the Department of Finance to transfer the Monthly Balancing Sheet into a Microsoft Excel program to reduce human calculation errors.

Each month's Monthly Balancing Sheet should be linked to the monthly detailed database, which is currently a excel spreadsheet, to improve efficiency and accuracy. The Department of Finance may want to incorporate a step where a supervisor reviews the Monthly Balancing Sheets once completed. This review should be documented with a signature.

Conclusion:

With reasonable assurance, it was determined that the financial transactions pertaining to the license function at the Department of Finance were free from material misstatements for the period July 1, 2003 through June 30, 2004. However, opportunities to improve the operational performance and internal controls have been identified and are detailed in this report.

Philip J. LaTessa
City Auditor

October 27, 2004