

CITY OF SYRACUSE, NEW YORK

**Reports Required by the Single Audit Act
and Government Auditing Standards**

June 30, 2013

CITY OF SYRACUSE, NEW YORK

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor, Stephanie Miner
and the Members of the Common Council
City of Syracuse, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Syracuse, New York as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Syracuse, New York's basic financial statements and have issued our report thereon dated March 14, 2014.

This report does not include the results of City School District of Syracuse, New York's testing of internal control over financial reporting or compliance and other matters that are reported on in a separate report.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City of Syracuse, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Syracuse, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Syracuse, New York's internal control.

(Continued)

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 13-1 through 13-4, 13-6 and 13-7 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 13-5 to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Syracuse, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Syracuse, New York in a separate letter dated March 14, 2014.

City of Syracuse, New York's Responses to Findings

The City of Syracuse, New York's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Syracuse, New York's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 14, 2014
Syracuse, New York

(Concluded)



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor, Stephanie Miner
and the Members of the Common Council
City of Syracuse, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Syracuse, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City of Syracuse, New York's major federal programs for the year ended June 30, 2013. The City of Syracuse, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Syracuse, New York's financial statements include the operations of the City School District of Syracuse, New York (the "District"), which expended \$51,900,901 in federal awards which are not included in the schedule for the year ended June 30, 2013. Our audit, described below, did not include the operations of the City School District of Syracuse, New York because the District has a separate audit in accordance with OMB Circular A-133 and issues a separate single audit report.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

(Continued)

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Syracuse, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Syracuse, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Syracuse, New York's compliance.

Basis for Qualified Opinion on CFDA #14.218 Community Development Block Grants/Entitlement Grants

As described in the accompanying schedule of findings and questioned costs, the City of Syracuse, New York did not comply with requirements regarding CFDA #14.218 Community Development Block Grants/Entitlement Grants as described in finding 13-11 for Reporting and 13-12 for Allowable Costs and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the City of Syracuse, New York to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #14.218 Community Development Block Grants/Entitlement Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Syracuse, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA #14.218 Community Development Block Grants/ Entitlement Grants for the year ended June 30, 2013.

Basis for Qualified Opinion on CFDA #14.228 Community Development Block Grants/State's Program and Non Entitlement Grants

As described in the accompanying schedule of findings and questioned costs, the City of Syracuse, New York did not comply with requirements regarding CFDA #14.228 Community Development Block Grants/State's Program and Non Entitlement Grants as described in finding 13-10 for Allowable Costs and Cash Management. Compliance with such requirements is necessary, in our opinion, for the City of Syracuse, New York to comply with the requirements applicable to that program.

(Continued)

Qualified Opinion on CFDA #14.228 Community Development Block Grants/State's Program and Non Entitlement Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Syracuse, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA #14.228 Community Development Block Grants/State's Program and Non Entitlement Grants for the year ended June 30, 2013.

Basis for Qualified Opinion on CFDA #14.239 Home Investment Partnerships Program

As described in the accompanying schedule of findings and questioned costs, the City of Syracuse, New York did not comply with requirements regarding CFDA #14.239 Home Investment Partnerships Program as described in finding 13-13 for Reporting and 13-15 for Special Tests and Provisions. Compliance with such requirements are necessary, in our opinion, for the City of Syracuse, New York to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #14.239 Home Investment Partnerships Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Syracuse, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA #14.239 Home Investment Partnerships Program for the year ended June 30, 2013.

Basis for Qualified Opinion on CFDA #14.900 Lead Based Paint Hazard Control in Privately-Owned Housing

As described in the accompanying schedule of findings and questioned costs, the City of Syracuse, New York did not comply with requirements regarding CFDA #14.900 Lead Based Paint Hazard Control in Privately-Owned Housing as described in finding 13-16 for Allowable Costs. Compliance with this requirement is necessary, in our opinion, for the City of Syracuse, New York to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #14.900 Lead Based Paint Hazard Control in Privately-Owned Housing

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Syracuse, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA #14.900 Lead Based Paint Hazard Control in Privately-Owned Housing for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Syracuse, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

(Continued)

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 13-8, 13-9 and 13-14. Our opinion on each major federal program is not modified with respect to these matters.

The City of Syracuse, New York's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Syracuse, New York's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

Report on Internal Control over Compliance

Management of the City of Syracuse, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Syracuse, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Syracuse, New York's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 13-9 through 13-16 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-8, 13-17 and 13-18 to be significant deficiencies.

(Continued)

The City of Syracuse, New York's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Syracuse, New York's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Syracuse, New York as of and for the year ended June 30, 2013, which collectively comprise the City of Syracuse, New York's basic financial statements, and have issued our report thereon dated March 14, 2014, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Syracuse, New York's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

March 14, 2014
Syracuse, New York

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Department of Defense			
Direct :			
Protection of Essential Highways, Highway Bridge Approaches and Public Works: ARRA - Valley Drive Sewer Improvements	12.105	GA-LRB-06-001	\$ 196,826
Total U.S. Department of Defense			<u>196,826</u>
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants:			
	14.218	B-08-MC-36-0108	331
	14.218	B-09-MC-36-0108	254,860
	14.218	B-10-MC-36-0108	637,567
	14.218	B-11-MC-36-0108	1,530,930
	14.218	B-12-MC-36-0108	2,954,948
	14.218	B-13-MC-36-0108	<u>171,329</u>
Total Community Development Block Grants/Entitlement Grants			<u>5,549,965</u>
Community Development Block Grants/Technical Assistance Program: EDI Grant - SNI VIII	14.227	B-06-SP-NY-0736	<u>147,371</u>
Emergency Shelter Grants Program:			
	14.231	S-11-MC-36-007	138,762
	14.231	S-12-MC-36-007	379,722
	14.231	S-13-MC-36-007	<u>19,487</u>
Total Emergency Shelter Grants Program			<u>537,971</u>
HOME Investment Partnerships Program:			
	14.239	M-08-MC-36-0505	117,499
	14.239	M-09-MC-36-0505	351,653
	14.239	M-10-MC-36-0505	1,433,254
	14.239	M-11-MC-36-0505	468,750
	14.239	M-12-MC-36-0505	<u>114,402</u>
Total HOME Investment Partnerships Program			<u>2,485,558</u>
Community Development Block Grants/Brownfields Economic Development Initiative: Syracuse Neighborhood Initiative VII	14.246	B-05NINY-0049	200,047
Syracuse Neighborhood Initiative VIII	14.246	B-06NINY-0036	<u>64,974</u>
Total Community Development Block Grants/Brownfields Economic Development Initiative			<u>265,021</u>
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	S-09-MY-36-0000	<u>26,039</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing:			
	14.900	NYLHB0199-09	186,626
	14.900	NYLHD0216-10	684,605
	14.900	NYLHD0240-12	<u>438,117</u>
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			<u>1,309,348</u>
Total Direct			<u>10,321,273</u>
Passed-through NYS Housing Finance Agency: Community Development Block Grants/State's Program and Non-Entitlement Grants: Neighborhood Stabilization Program 1 (NSP1)	14.228	1017	<u>2,270,160</u>
Total U.S. Department of Housing and Urban Development			<u>12,591,433</u>

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Department of the Interior			
Direct:			
Save America's Treasures: 10/10 Preserve America Program	15.929	36-10-AP-5017	<u>16,413</u>
Passed-through NYS Office of Parks Recreation and Historic Preservation:			
Historic Preservation Fund Grants-In-Aid: 10/12 Danforth Planning and Sustainability	15.904	T361113	<u>15,000</u>
Total U.S. Department of the Interior			<u>31,413</u>
U.S. Department of Justice			
Direct:			
Joint Law Enforcement Operations	16.111		<u>104,733</u>
Public Safety Partnership and Community Policing Grants:			
ARRA - 09/12 COPS Hiring Recovery	16.710	2009-RK-WX-0652	<u>895,538</u>
Edward Byrne Memorial Justice Assistance Grant Program:			
2011 Gang Grant	16.738	BJ10632498	36,896
11/13 E.B. Memorial Justice Grant	16.738	BJ11632533	90,425
09/13 E.B. Memorial Justice Grant	16.738	2010-DJ-BX-1046	72,915
11/14 E.B. Memorial Justice Grant	16.738	2011-DJ-BX-3156	20,099
11/15 E.B. Memorial Justice Grant	16.738	2012-DJ-BX-0624	101,060
08/13 E.B. Memorial Justice Grant	16.738	2009-DJ-BX-0351	<u>16,097</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>337,492</u>
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government:			
ARRA - 09/13 Recovery Act E.B. Memorial	16.804	2009-SB-B9-2145	<u>72,935</u>
Total Direct			<u>1,410,698</u>
Passed-through Onondaga County and The Gifford Foundation:			
Project Safe Neighborhoods:			
12/14 Project Safe Neighborhoods	16.609	2012-GP-BX-0006	5,756
10/13 Project Safe Neighborhoods	16.609	2009-H2678-NY-GP	<u>7,769</u>
Total Project Safe Neighborhoods/Passed-through Onondaga County and The Gifford Foundation			<u>13,525</u>
Passed-through New York State Department of Justice:			
ARRA - Internet Crimes against Children	16.800	209-SN-B9-K023-07	<u>1,432</u>
Total U.S. Department of Justice			<u>1,425,655</u>
U.S. Department of Transportation			
Direct:			
Airport Improvement Program:			
Replace Terminal Building Revolving Doors (Design & Const.)	20.106	110-09	7,129
LPV	20.106	111-09	2,623
Rehabilitate Deicing Pads (Design)	20.106	116-10	27,271
Conduct APMS; Rehab. SRE Building Access Rd. & Apron; Reconstruct Sand Storage Dome; Construct SRE Building (Design)	20.106	118-11	31,255

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Department of Transportation (Cont'd)			
Direct:			
Airport Improvement Program (Cont'd):			
Construction of R/W 10-28 & R/W 15-33 On& Off Airport Obstruction Removal	20.106	119-11	249,820
Rehabilitate Three Deicing Pads & Snow Melt Pad	20.106	124-12	2,483,776
Entrance Road Signage Improvements	20.106	125-12	494,345
Runway 28 RPZ Land Acquisition (6973 Kinne Street)	20.106	127-13	374,691
Construct Remain-Over-Night (RON) Apron (Design & Construction); Construct Access Taxiway (Design & Construction)	20.106	129-13	244,161
VALE Infrastructure (Install Electrification and Preconditioned Air Units to Reduce Criteria Pollutants (VALE))	20.106	130-13	121,519
Total Airport Improvement Program/Direct			<u>4,036,590</u>
Passed-through NYS Department of Transportation:			
Highway Planning and Construction Grants:			
Variable Message Signs	20.205	375467	58,401
Creekwalk	20.205	375299	25,899
Hiawatha Boulevard	20.205	375307	34,914
Interconnect Expansion (W.Genesee/Geddes)	20.205	375285	2,693,164
NSEW Interconnect	20.205	375479	790
Creekwalk Phase II	20.205	375514	2,014
Erie Blvd Bridge Over Onondaga Bridge	20.205	303484	60,086
Auto Row Bridge Improvements	20.205	375396	17,674
West Fayette St. Bridge over Onondaga Creek	20.205	375434	117,265
SU - East Genesee St. Corridor	20.205	375446	2,776,706
Dickerson St. Bridge	20.205	375291	30,354
W. Washington St. Bridge	20.205	375290	16,714
Midland Ave Bridge	20.205	375292	62,175
S. Salina/Valley Plaza Corridor	20.205	375436	4,522
Seneca Turnpike Corridor	20.205	375483	18,553
Park St. Bridge over Ley Creek	20.205	375484	6,855
Plum St. Bridge over Onondaga Creek	20.205	375482	4,383
James St. Improvements	20.205	375481	1,216
Total Highway Planning and Construction Grants/ Total Passed-through NYS Department of Transportation			<u>5,931,685</u>
Passed-through NYS Governor's Traffic Safety Committee:			
State and Community Highway Safety:			
11/12 Selective Traffic Enforcement Program (S.T.E.P)	20.600	PD-00287-(034)	21,996
National Highway Traffic Safety Administration:			
11/12 Buckle Up New York	20.604	PD-00271-(034)	23,265
12/13 Buckle Up New York	20.604	PD-00153-(034)	21,444
Total National Highway Traffic Safety Administration			<u>44,709</u>
Child Safety and Child Booster Seat Incentive Grants:			
12/13 Child Passenger Safety	20.613	PD-00125-(034)	8,523
11/12 Child Passenger Safety	20.613	PD-00234-(034)	8,663
Total Child Safety and Child Booster Seat Incentive Grants			<u>17,186</u>
Total Passed-through NYS Traffic Safety Committee			
			<u>83,891</u>
Total U.S. Department of Transportation			<u>10,052,166</u>

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency (Cont'd)			
Passed-through NYS Environmental Facilities Corporation:			
Capitalization Grants for Drinking Water State Revolving Fund:			
ARRA - GIGP Hydroturbine System - Westcott Reservoir	66.468	GIGP #23	<u>58,616</u>
Passed-through CNY Regional Planning and Development Board:			
Climate Showcase Communities Grant Program:			
CNY Climate Showcase	66.041		<u>1,000</u>
Total U.S. Environmental Protection Agency			<u>59,616</u>
U.S. Department of Energy			
Direct:			
Energy Efficiency and Conservation Block Grant Program (EECBG):			
ARRA - 09/12 Energy Efficiency & Conservation	81.128	DE-SC0002919	<u>164,931</u>
Total U.S. Department of Energy			<u>164,931</u>
U.S. Department of Health and Human Services			
Direct:			
02/10 Metro Medical Response	93.xxx	233-02-0024	<u>4,385</u>
Total U.S. Department of Health and Human Services			<u>4,385</u>
U.S. Department of Homeland Security			
Passed-through NYS Office of Homeland Security and Emergency Services:			
Assistance to Firefighters Grant:			
ARRA - 12/13 Assistance to Firefighters	97.044		<u>89,810</u>
Homeland Security Grant Program:			
09/12 Bomb Squad Initiative	97.067	WM09152991	72,191
12/13 Bomb Squad Initiative	97.067	WM10152901	73,877
11/14 Law Enforcement Terrorism Prevention	97.067	WM2011SLETPP	31,819
10/13 Law Enforcement Terrorism Prevention	97.067	WM098340592	54,311
2011 State Homeland Security	97.067	WM08176580	4,665
12/14 Explosive Detection Canine	97.067	WM11176519	42,554
08/11 Metro Medical Response	97.067	WM08176585	83,744
09/12 Metro Medical Response	97.067	WM09176595	251,294
09/12 Law Enforcement Terrorism Prevention	97.067	WM2009	110,265
10/13 Tech Rescue	97.067	WM10176509	<u>2,803</u>
Subtotal Homeland Security Grant Program			<u>727,523</u>
Total Passed-through NYS Office of Homeland Security and Emergency Services:			<u>817,333</u>
Passed-through Onondaga County:			
Homeland Security Grant Program:			
Westcott Reservoir Security	97.067	WM09834593	<u>32,825</u>
Total U.S. Department of Homeland Security			<u>850,158</u>
Total Expenditures of Federal Awards			<u>\$ 25,376,583</u>

(Concluded)

CITY OF SYRACUSE, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs administered by the City of Syracuse, New York, an entity as defined in the basic financial statements. Federal awards that are included in this schedule may be received from federal agencies, as well as federal awards that are passed through from other governmental agencies. Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting, except for the U.S. Department of Transportation Airport Improvement Program, which is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statement.

2. MATCHING COSTS

Matching costs (the City's or New York State's share of certain program costs) are not included in the reported expenditures.

3. INDIRECT COSTS

Indirect costs may be included in the reported expenditures, to the extent they are included in the federal financial reports used as the source for the data presented.

4. OTHER AUDITORS

The basic financial statements of the City of Syracuse, New York, include Syracuse Industrial Development Agency (SIDA) and Syracuse Economic Development Corporation (SEDCO) as discretely presented component units. SIDA and SEDCO have fiscal years which end December 31. Separate audited financial statements are prepared by other auditors for SIDA and SEDCO and reports may be obtained by writing to City Hall, Syracuse, New York 13202. Financial assistance relating to SIDA and SEDCO are not included in the schedule of expenditures of federal awards; however, the separate audited financial statements contain the required schedules.

5. CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK

The City School District of Syracuse, New York is a component unit of the City of Syracuse, New York. Financial assistance relating to the District is not included in the schedule of expenditures of federal awards; however, a separate single audit report contains the required reports and schedules.

CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Part I - Summary of Auditor's Results

- The independent auditor's report on the basic financial statements expressed an unmodified opinion.
- Significant deficiencies and material weaknesses in internal control were disclosed during the audit of the financial statements.
- No instances of noncompliance material to the basic financial statements were disclosed during the audit.
- Significant deficiencies and material weaknesses in internal control over compliance with requirements applicable to major federal award programs were identified.
- The independent auditor's report on compliance with requirements applicable to four major federal award programs expressed a qualified opinion; the report on the remaining programs is unmodified.
- The audit disclosed findings which are required to be reported in accordance with Section .510(a) of OMB Circular A-133.
- Major programs are as follows:

<u>CFDA Number</u>	<u>Program Title</u>
14.218	Community Development Block Grants/Entitlement Grants
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants
14.239	Home Investment Partnerships Program
14.900	Lead Based Paint Hazard Control in Privately-Owned Housing
16.710	Public Safety Partnership and Community Policing Grants
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Grants

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part I - Summary of Auditor's Results (Cont'd)

- A threshold of \$761,298 was used to distinguish between Type A and Type B programs, for the City of Syracuse, New York.
- The City of Syracuse, New York did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings

Reference Number: 13-1

Financial Reporting

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure all material transactions are recorded properly.

Cause/Condition:

There is not consistent review or oversight of the financial reporting for the various funds and departments of the City.

- The City does not evaluate the impact of commitments and contingencies such as pending legal issues,
- Not all fund financial statements are reviewed on a periodic basis,
- In certain instances, transactions were not recorded accurately or in the proper fiscal year.

Effect:

There were material audit adjustments in the following funds/departments as a result of our audit:

- Capital Projects Fund
- Neighborhood and Business Development Fund
- Aviation Fund
- General Fund
- Sewer Fund

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-1 (Cont'd)

Recommendation:

The City should evaluate the impact of commitments and contingencies such as pending legal issues. Financial information for all departments and funds should be monitored and reviewed on a timely basis. In addition, the City should evaluate its current Information Technology structure to determine if there are more effective ways to fully integrate its financial reporting. Such integration could allow for more efficient planning and oversight of City wide financial information.

Response:

The Finance Department works with individual departments on an as-needed basis throughout the fiscal year to insure that transactions are recorded properly. Funds are reviewed on an ongoing basis to insure that revenues and expenditures are recorded in a proper fashion.

Pending litigation is reviewed at the end of the fiscal year to be certain that any monetary liability for potential losses due to litigation is recognized properly.

Great care is taken to ensure that expenditures are recognized when they occur. Occasionally, the processing of expenditures is delayed if the expenditures have been questioned or are subject to subsequent review before they can be paid. These expenditures are recorded when forwarded for payment. Care is taken to record them in the proper fiscal period.

Reference Number: 13-2

Purchasing

Criteria:

Purchasing procedures for all funds and departments of the City should be in accordance with the City's purchasing manual.

Cause/Condition:

Not all funds/departments adhere to the City's purchasing procedures as outlined in the purchasing manual. There is decentralized purchasing throughout the funds and departments of the City. In addition, there is an Intermunicipal agreement between the City of Syracuse and Onondaga County whereby Onondaga County procures certain goods and services on behalf of the City. The City does not monitor Onondaga County's purchasing procedures and controls.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-2 (Cont'd)

Effect:

Expenses may be incurred without proper documentation or approval. We noted the following in our testing of the Neighborhood and Business Development Fund, Capital Projects Fund and the General Fund, relative to disbursements:

- Contract not provided for the related disbursement in eight instances,
- Disbursements made prior to obtaining the executed contracts,
- Disbursement made prior to contract amendment being signed,
- Extension to contract not provided for the related disbursement.

Recommendation:

All disbursements should be made in accordance with the purchasing manual. The City should implement a process to monitor the procurement of City goods and services performed by Onondaga County, including obtaining a copy of their financial statement audit and any related reports on internal control deficiencies relative to purchasing.

Response:

Departments are directed to follow the procedures outlined in the City and County purchasing manuals. Care will be taken to be certain that contracts are completed, extended or amended as necessary before purchases are completed.

Reference Number: 13-3

Grants Management

Criteria:

The City should have appropriate policies, procedures and controls over grants management.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-3 (Cont'd)

Cause/Condition:

There is not centralized oversight and review over grants management. For example, the Department of Public Works, Department of Water, Department of Sewer, Special Grants Fund, Capital Projects Fund, Police Department, Department of Aviation, Department of Neighborhood and Business Development, as well as other funds and departments, have the authority to apply for, administer, and report to grantors. It does not appear that the City has sufficient staffing to perform this function.

Effect:

There is the possibility that grant funds will expire and not be available to the City. It is also possible that grant activity could be inaccurate and noncompliance could occur and not be detected by City management on a timely basis.

We noted several instances in which grant expenditures and the related revenue were recorded improperly and / or in the wrong fiscal year.

We further noted that the City did not expend approximately 50% of the Consolidated Local Street and Highway Improvement Program (CHIPS) for the State fiscal year (SFY) 2012-2013. New York State did allow for a roll forward of the unexpended portion to the SFY 2013-2014.

Recommendation:

The City should consider hiring or designating certain individuals who possess the appropriate knowledge, skills and authority to oversee grants in all of the funds and departments of the City. This should include maintaining a detailed schedule of all grants approved with appropriate detail to ensure accurate and timely expenditure and reimbursement, compliance and reporting requirements related to grants.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-3 (Cont'd)

Response:

All grant applications are now filed through the City Research Department. When a grant is received, the department receiving the grant is responsible for compliance as to the expenditures charged to the grant and any filing requirements. Departments should be vigilant that grants do not expire before all funds awarded are expended in accordance with the grant document. We are aware that factors such as weather may inhibit the ability of the department to perform the work necessary in a timely fashion to earn reimbursement from a grant, as is the case with CHIPs funds. While we will make our best effort to monitor all grants and their activity, it is not practical in the current economic situation to assign one person with the responsibility to monitor all grants in all funds. That responsibility should remain with the department which benefits from each grant. The department is aware of filing requirements and deadlines as they apply to each grant.

It was also noted that expenditures were booked in the wrong fiscal year. The Department of Finance provides review at the time of payment or entry, as to the appropriateness of charges, as to content and timeliness. Extra care will be taken to ensure that expenditures are booked into the proper fiscal year. It should be noted that in grant accounting, expenditures are booked along with corresponding earned revenues. Consequently, the net effect on fund balance is zero.

Reference Number: 13-4

Capital Assets

Criteria:

Internal controls over capital assets should be designed to effectively detect and correct material misstatements.

Cause/Condition:

There is insufficient monitoring, supervision or review of capital asset records, including the annual inventory done by individual departments. In addition, the City's capital asset guide does not specify procedures for identifying impairment.

Effect:

In certain instances, the annual inventory of capital assets was not adequately performed, reviewed or documented by the individual funds and departments of the City. Impaired capital assets may not be identified and accounted for properly.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-4 (Cont'd)

Recommendation:

The City should ensure procedures are followed to monitor capital asset records including a review of the annual inventory of capital assets and reconciliations. Policies and procedures should be developed to identify potential impairment of capital assets.

Response:

Capital assets are recorded at the time that the asset is placed into service. Donated assets are recorded when received. Large construction projects are recorded when complete or, on occasion, when the majority of the expenditures have been recorded and the item is placed into service. The Department of Finance also receives a listing of the items that are sent to auction during the course of the year and removes them from the inventory. Impaired assets are removed from inventory or sold at auction. At the end of the fiscal year, an asset listing is sent to each department containing the items that are included in the capital assets reported in the financial statements. Each department is asked to review the listing and advise of any additions and deletions that may not have been noted in the inventory. Some departments have designated an individual to monitor their assets. It is not financially practical for the Finance Department perform physical verifications of departmental inventories. However, we will explore the possibility of using interns to conduct random physical inventories in an effort to detect deficiencies in asset disposal reporting.

Reference Number: 13-5

Parking Garages

Criteria:

Internal controls related to the City's parking garage revenue cycle should be designed to effectively prevent and detect misappropriation of assets or accounting errors.

Cause/Condition:

There are several City owned garages that are managed by third parties by contract. The City does not have appropriate monitoring and oversight over contracts with these these third party garage managers.

Effect:

Misappropriation of assets and accounting errors could occur and go undetected by management.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-5 (Cont'd)

Recommendation:

The City should continue to develop, implement and monitor policies and procedures related to all parking garages to ensure appropriate internal controls over the parking garage revenue cycle. The City should consider utilizing its contractual right to audit the books and records of the managers of the City owned parking garages.

Response:

The Department of Public Works developed a written policy to monitor the revenue stream of the parking garages. New procedures continue to be developed to assure proper internal control over parking garage activities and to ensure timely and proper recording of receipts from the various garages.

Reference Number: 13-6

Aviation Fund

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure transactions are recorded properly and to effectively prevent and detect misappropriation of assets or accounting errors.

Cause/Condition:

The accounting department for the Aviation Fund is relatively small. As a result, there is a lack of segregation of duties over the cash function. Check logs maintained are not reconciled to deposit slips, accounts receivable detail or the general ledger. Grant receivables are not recorded in the accounting system until a request for reimbursement is submitted. The financial statement close process was not completed timely.

Effect:

During the fiscal year, the accounting system may not accurately reflect the Fund's financial position. Grant receivables and the related revenue were not accrued in the accounting system which resulted in material audit adjustments. The potential exists for misappropriation of funds. There were several closing entries provided by client several weeks after the audit started. The amounts reported in the schedule of expenditures of federal awards is a result of the accounting records, therefore closing entries and audit adjustments also affect audit requirements.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-6 (Cont'd)

Recommendation:

Grant receivables and revenue should be recorded when grant-related expenditures are incurred. Transactions should be recorded timely in the accounting system and all related reconciliations should be prepared and reviewed. Policies and procedures should be enhanced to address the segregation of duties.

Response:

Grant receivables- The initial step in the recording of grants begins with the Airport's grants consultant reviewing the relative expenses and associated backup for accuracy. The consultant upon review and preparation of the necessary documentation enters the information onto the Delphi System and forwards documentation to the Airport for final processing and request for payment. It is at this time that the Airport books the receivable in its accounts receivable module and awaits the payment/reimbursement from the FAA through a direct deposit to its restricted bank account. This process ensures *only those payments* that are *eligible* will be requested and booked accurately into the Airport's receivables.

Revenue- A procedural step was recently (Fiscal Year 2014/2015) added to have the Accountant II (in her absence the Fiscal Officer) verify the deposit slips to the check log *the following business day* to ensure that all checks were deposited accurately and appropriately (by the Accountant I or their designee). This is done prior to the Accountant II entering the deposits into the spreadsheet, which is then reconciled to the bank statement prior to entering the deposit/payment into the accounting system's accounts receivable module. We will continue to review staffing opportunities and delegate/segregate duties where possible.

Expenses- As currently the City's Bureau of Accounts issues all payments on the airport's behalf, expenses are recorded and entered into the accounting system's accounts payable module once they have been reviewed and verified for accuracy of vendor and amount.

Reference Number: 13-7

Department of Neighborhood and Business Development

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure transactions are recorded properly and to effectively prevent and detect misappropriation of assets or accounting errors.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-7 (Cont'd)

Cause/Condition:

We noted the following during our audit of the Neighborhood & Business Development Fund:

- There is no evidence of monitoring of the loan and related escrow balances. In addition, two loans selected for testing were in arrears.
- Eight vouchers selected for testing lacked the appropriate signature of either the program manager or claimant voucher.
- Significant cut-off issues for both expenditures and revenues especially related to subrecipient vouchers.
- Bank reconciliations for one of the accounts were not performed timely during the year. In addition, the deposits related to this account were not recorded in the general ledger in a timely manner.
- There were several held checks at the end of the year due to cash flow issues.

Effect:

- Loan and escrow balances were misstated.
- The potential exists for errors or misappropriation of funds.
- Disbursements could be made prior to authorization.
- Material audit adjustments were required as a result of the audit testing.
- Accounting records throughout the year did not reflect activity.
- The amounts reported in the schedule of expenditures of federal awards is a result of the accounting records, therefore audit adjustments also affect audit requirements.

Recommendation:

Management should evaluate its personnel needs. The Department of Neighborhood and Business Development could use an employee with the appropriate accounting knowledge, skills and expertise to effectively implement proper internal controls over financial reporting. We recommend that policies and procedures be established to monitor loan and escrow balances. All vouchers must be reviewed by a supervisor and this review should be evidenced in writing prior to the disbursement. All financial information should be monitored and reviewed on a timely basis. Management should also establish appropriate procedures and controls including monitoring subrecipients to ensure all transactions are recorded in the proper period.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 13-7 (Cont'd)

Response:

NBD will fortify its policies by including language requiring a quarterly printout and review of loan portfolio's by federal program. This will ensure that appropriate action is taken regarding delinquent and expired accounts.

The policies and procedures also include the process for which vouchers are reviewed and approved by both a program administrator and supervisor.

Subrecipients are monitored each quarter to ensure financial information is being reviewed and submitted for reimbursement. The cause/condition(s) noted were a human error and were not intentional to defy the policies and procedures.

The migration from paper to electronic bank statements contributed to a delay in the timely completion of bank reconciliations.

Part III - Federal Award Findings and Questioned Costs

Reference Number: 13-8

**U.S. Department of Transportation
Airport Improvement Program 20.106 – Program Year 2012/2013**

Criteria:

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Cause/Condition:

The City does not have a process in place to ensure that all certified payrolls are received, reviewed and maintained as required. Certified payrolls were missing or not provided periodically for three vendors selected for testing.

Effect:

Instances of noncompliance related to the Davis-Bacon Act were noted.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-8 (Cont'd)

Recommendation:

Policies and procedures should include monitoring to ensure that the weekly certified payrolls are received, reviewed and maintained as required by Federal compliance requirements.

Response:

Relative to “eligible” projects, whereas a consultant/engineering firm has been awarded the contract for construction inspections, it is required to do so in accordance with NYSDOT Manual of Uniform Recording Keeping (MURK). Included in that list of requirements includes “Collect and monitor weekly payrolls for Davis Bacon Act Compliance”. Although the City’s Engineering Department has final approval of these payment requests, the *consultant/engineering firm* should have reviewed and certified that the payrolls were presented. The City will continue to *rely on the consultant/engineering firm* to comply with the above listed legal requirements for certified payrolls

Questioned Costs:

None

Reference Number: 13-9

**U.S. Department of Housing and Urban Development
Community Development Block Grants/State’s Program and Non-Entitlement Grants
Passed-through NYS Housing Finance Agency
Neighborhood Stabilization Program 1 (NSP1) 14.228 – Program Year 2012/2013
1017**

Criteria:

A pass-through entity is responsible for *During-the-Award Monitoring* which is monitoring the use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved.

Cause/Condition:

The City could not provide documentation to support monitoring of the subrecipients’ use of Federal awards was in compliance with laws and regulations related to procurement.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-9 (Cont'd)

Effect:

Noncompliance with laws and regulations related to the subrecipient monitoring was noted.

Recommendation:

The City should maintain supporting documentation related to subrecipient monitoring to ensure that the subrecipients are in compliance with applicable federal requirements.

Response:

The City did not monitor NYS Housing Finance Agency as a sub-recipient; however, it has monitored the specific development project.

Questioned Costs:

None

Reference Number: 13-10

**U.S. Department of Housing and Urban Development:
Community Development Block Grants/State's Program and Non-Entitlement Grants
Passed-through NYS Housing Finance Agency
Neighborhood Stabilization Program 1 (NSP1) 14.228 – Program Year 2012/2013
1017**

Criteria:

To be an allowable cost under Federal awards, costs must meet the following general criteria (OMB Circular A-87, Attachment A, paragraph C.1):

(h) not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal or State Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the State or U.S. Treasury and disbursement.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-10 (Cont'd)

Cause/Condition:

Internal controls over allowable costs and cash management were not operating effectively related to this program.

The Neighborhood Stabilization Program (NSP) was ending on March 20, 2013. In order to optimize the available funds in the NSP program prior to expiration, a voucher in the amount of \$270,000 was submitted to this program for reimbursement and subsequently received from NSP during the fiscal year ended June 30, 2013. This \$270,000 is excluded from the schedule of expenditures of federal awards for the fiscal year ended June 30, 2013 because it relates to services rendered during the fiscal year ended June 30, 2012.

The City of Syracuse, New York included the aforementioned cost of \$270,000 in the HOME Investment Partnership Program (HOME) in the schedule of expenditures of federal awards for the fiscal year ended 6/30/2012 and also had received reimbursement for this voucher from HOME.

Effect:

Material noncompliance related to allowable costs occurred as this voucher was included as a cost in another Federal award. Material noncompliance related to cash management occurred as this cost was paid for by the entity as part of another Federal award, therefore would not be reimbursable by NSP.

Recommendation:

Management should implement policies and procedures that also include monitoring and reviewing transactions to ensure compliance with all compliance requirements applicable to their federal award programs in a timely manner. Program costs should not be included in more than one Federal award program unless specifically provided by Federal law or regulation.

Response:

The funds reimbursed from the NSP program that related to the aforementioned \$270,000 voucher were not submitted to the HOME program until September 2013 which was 6 months after the NSP receipt was received. A subsequent HOME expenditure was reduced by the \$270,000 and not requested for reimbursement; however, there were no further adjustments in reporting to the HOME program.

Questioned Costs:

\$270,000

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-11

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2012/2013
B-10-MC-36-0108; B-11-MC-36-0108; B-12-MC-36-0108; B-13-MC-36-0108**

Criteria:

The SF-425, Federal Financial Report, is required to be submitted no later than 30 days after the end of each quarterly reporting period.

Under the Federal Funding Accountability and Transparency Act (FFATA), prime grant recipients that were awarded a new Federal grant greater than or equal to \$25,000 subsequent to October 1, 2010 are required to report subawards greater than or equal to \$25,000 by the end of the month following the month in which the prime recipient awarded the subaward.

Cause/Condition:

Internal controls related to the compliance requirements for reporting were not operating effectively. During our testing of FFATA reporting, it was noted that two subawards had the incorrect award amount. In addition, none of the subawards were reported in a timely manner. The SF-425 Federal Financial Reports for the quarters ended December 31, 2012 and March 31, 2013 were not submitted until March 15, 2013 and July 17, 2013, respectively.

Effect:

The reporting under FFATA was not performed in accordance with the compliance requirements under this Federal program. The SF-425 Federal Financial Reports for two out of four quarters were submitted late.

Recommendation:

Internal controls related to the compliance requirement for reporting should be developed, implemented and monitored to ensure compliance. The sub-awards should be evaluated to ensure the required sub-awards are reported via the FFATA Subaward Reporting System (FSRS) website on time. The SF-425 Federal Financial Reports should be filed timely.

Response:

NBD will file these reports on a timely basis.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-12

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2012/2013
B-08-MC-36-0108; B-09-MC-36-0108; B-10-MC-36-0108; B-11-MC-36-0108; B-12-MC-36-0108
B-13-MC-36-0108**

Criteria:

Costs incurred under the grant are required to be in accordance with the principles and standards for determining allowable, direct and indirect costs contained in OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments” (2 CFR part 225).

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Compliance requirements for a pass-through entity over Subrecipient Monitoring include Determining Subrecipient Eligibility, Award Identification, During-the Award Monitoring, Subrecipient Audits, Ensuring Accountability of For-Profit Subrecipients, and Pass-Through Entity Impact. Before disbursing any CDBG funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient. The agreement shall include provisions concerning: the statement of work, records and reports, program income and uniform administrative requirements (24 CFR section 570.503).

Cause/Condition:

In twenty-six of sixty-one selections, there were unsupported and unallowable costs that were disbursed to subrecipients.

Internal controls over subrecipient monitoring were not in place. The City did not provide documentation to support that they are monitoring the subrecipients’ use of Federal awards and that agreements have been obtained in accordance with compliance requirements.

Effect:

We noted the following instances of noncompliance during our audit of the program:

- There is no evidence that the DUNS number was obtained for one subrecipient.
- Documentation was not provided to support that the monitoring of the subrecipients use of Federal awards was in compliance with the laws and regulations related to procurement or that site visits were performed for six subrecipients.
- Proper review of the vouchers that were submitted by the subrecipients was not performed for twenty-seven out of sixty-one selections as the vouchers were missing documentation to support allowable costs. These exceptions totaled \$110,973.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-12 (Cont'd)

Effect: (Cont'd)

- There was no documentation that single audit reports were obtained for seventeen subrecipients.
- Five subrecipient agreements did not include all of the required provisions.
- In one of sixty-one selections, a disbursement was made to a subrecipient prior to the subrecipient agreement being signed.
- In one of sixty-one selections, a disbursement was made to a subrecipient for a project that was not listed in the subrecipient agreement.

Recommendation:

Standard policies and procedures over subrecipient monitoring should be established to ensure compliance with the Program. The City should maintain documentation to support that they are monitoring the subrecipients' use of Federal awards and that subrecipient agreements include required provisions.

Response:

NBD has since revised its policies and procedures to ensure that DUNS and CAGE numbers are obtained prior to committing Federal funds. NBD includes a FFATA Certification Form with all award and commitment letters. Since this implementation, NBD has assisted more than 15 agencies in obtaining a DUNS number.

Improved documentation will be maintained to ensure compliance with federal programs and that NBD is monitoring sub-recipients of federal awards.

Questioned Costs:

\$110,973

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-13

**U.S. Department of Housing and Urban Development
Home Investment Partnerships Program 14.239 - Program Year 2012/2013
M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505**

Criteria:

Under the Federal Funding Accountability and Transparency Act (FFATA), prime grant recipients that were awarded a new Federal grant greater than or equal to \$25,000 subsequent to October 1, 2010 are required to report subawards greater than or equal to \$25,000 by the end of the month following the month in which the prime recipient awarded the subaward.

Performance reporting requirements state that for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3(a) and 135.90).

Cause/Condition:

Internal controls related to the compliance requirements for reporting were not operating effectively. During our testing of FFATA reporting, it was noted that one subaward was not reported. In addition, none of the subawards were reported in a timely manner. We noted errors in the Form HUD 60002.

Effect:

The reporting under FFATA was not performed in accordance with compliance requirements under this federal program and the Form HUD 60002 reports were not prepared accurately.

Recommendation:

The subawards should be evaluated and the required subawards should be reported via the FFATA Subaward Reporting System (FSRS) website on time. The required Form HUD 60002 should be accurately prepared, reviewed and submitted timely.

Response:

NBD will prepare and submit reports on a timely basis.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-14

**U.S. Department of Housing and Urban Development
Home Investment Partnerships Program 14.239 – Program Year 2012/2013
M-08-MC-36-0505; M-09-MC-36-0505; M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505**

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Compliance requirements for a pass-through entity over Subrecipient Monitoring include Determining Subrecipient Eligibility, Award Identification, During-the Award Monitoring, Subrecipient Audits, Ensuring Accountability of For-Profit Subrecipients, and Pass-Through Entity Impact.

Cause/Condition:

There is not a formal process in place to document procedures over subrecipient monitoring. The City could not provide documentation to support the monitoring of the subrecipients' use of Federal awards was in compliance with laws and regulations related to procurement for two subrecipients.

Effect:

Instances of noncompliance with laws and regulations related to the subrecipients' procurement were noted.

Recommendation:

The City should maintain supporting documentation related to subrecipient monitoring to ensure that the subrecipients are in compliance with applicable federal requirements.

Response:

NBD will improve documentation requirements to ensure sub-recipients are in compliance with federal requirements.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-15

U.S. Department of Housing and Urban Development

Home Investment Partnerships Program 14.239 – Program Year 2012/2013

M-08-MC-36-0505; M-09-MC-36-0505; M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505

Criteria:

The Integrated Disbursement and Information System (IDIS) is used both to collect information on compliance with program requirements and to disburse HOME funds. Participating jurisdictions are required to have different staffs setting up projects and drawing down funds. Participating jurisdictions must maintain payment certifications each time a drawdown of funds is made (24 CFR section 92.502).

During the period of affordability (i.e., the period for which the non-federal entity must maintain subsidized housing), for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every 3 years for projects containing 1 to 4 units, (b) every 2 years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.

Cause/Condition:

There is no evidence that policies and procedures are in place to monitor this compliance requirement. During our testing, it was noted that one individual had the capability to both set up projects in IDIS as well as draw down the funds in IDIS. Documentation was not provided that monitoring occurred for the period of affordability for thirteen of twenty-four selected properties. In four of twenty-four selections, the monitoring was not up to date with the compliance requirement, or there were violations noted with no follow up action taken.

Effect:

The City is not in compliance with Special Tests and Provisions compliance requirement.

Recommendation:

Policies and procedures should be developed, monitored, and documented by appropriate personnel to ensure compliance.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-15 (Cont'd)

Response:

NBD will improve monitoring to ensure compliance with HOME standards.

Questioned Costs:

None

Reference Number: 13-16

**U.S. Department of Housing and Urban Development:
Lead Based Paint Hazard Control in Privately-Owned Housing
14.900 – Program Year 2012/2013
NYLH0199-09, NYLHD0216-10, and NYLHD0240-12**

Criteria:

HUD shall reimburse the grantee for costs incurred in the performance of this award which are determined by the GTR/Grant officer to be allowable, allocable, and reasonable in accordance with applicable Federal cost principles as permitted by applicable OMB Circulars and the grant agreement.

Cause/Condition:

The U.S. Department of Housing and Urban Development (HUD) designated the City of Syracuse, New York (City) Lead Hazard Reduction Demonstration Grants (NYLH0199-09, NYLHD0216-10, and NYLHD0240-12) as high risk and suspended all grant activities on December 4, 2012. HUD notified the City on January 10, 2013 that Lead Hazard Reduction Demonstration Grants (NYLH0199-09, NYLHD0216-10, and NYLHD0240-12) have met all requirements for the special conditions of the suspension order placed on the aforementioned grants.

Cash held in bank accounts for the aforementioned grant program is the result of advances, escrows, homeowner funds, and the accumulation of program income. During our testing, eighteen of sixty-two selections had been rejected by HUD totaling \$256,335. The City paid these costs between August 2012 and December 2012.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-16 (Cont'd)

Effect:

HUD determined that the aforementioned costs were not allowable, allocable or reasonable in accordance with applicable Federal cost principles as permitted by applicable OMB Circulars and/or the grant agreement. The City was not in compliance with Lead Hazard Reduction Demonstration Grants and may be required to return funds to the U.S. Department of Housing and Urban Development.

Recommendation:

The City should only expend funds that are allowable, allocable, and reasonable in accordance with applicable Federal cost principles as permitted by applicable OMB Circulars and the grant agreement to be in compliance with the Lead Hazard Reduction Demonstration Grants.

Response:

The questioned costs in this finding came from two non-federal sources to fulfill the City's contractual obligations with a series of local contractors who had performed work for which HUD determined it would not reimburse. The first source was a private grant from DuPont to the City totaling \$125,000; the purpose of which was to remediate lead hazards within occupied housing. The second source (\$135,000) was earned income garnered through a contract between the City and the Syracuse Housing Authority to perform Lead Risk Assessments for potential Section 8 housing.

It should be noted that HUD has determined that a portion of the total withheld, was in fact eligible but have not yet reimbursed the City for the outlays described above. Also, the City continues to contest the High Risk suspension status with HUD and is working toward a compromise that allows the City to be able to apply for future rounds of Lead Hazard Reduction funding.

Questioned Costs:

\$256,335

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-17

U.S. Department of Transportation

Airport Improvement Program 20.106 – Program Year 2012/2013

Criteria:

See financial statement finding 13-6.

Cause/Condition:

See financial statement finding 13-6.

Effect:

See financial statement finding 13-6.

Recommendation:

See financial statement finding 13-6.

Response:

See financial statement finding 13-6.

Questioned Costs:

none

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 13-18

U.S. Department of Housing and Urban Development

Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2012/2013

B-08-MC-36-0108; B-09-MC-36-0108; B-10-MC-36-0108; B-11-MC-36-0108; B-12-MC-36-0108

B-13-MC-36-0108

Home Investment Partnerships Program 14.239 – Program Year 2012/2013

M-08-MC-36-0505; M-09-MC-36-0505; M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505

Criteria:

See financial statement finding 13-7.

Cause/Condition:

See financial statement finding 13-7.

Effect:

See financial statement finding 13-7.

Recommendation:

See financial statement finding 13-7.

Response:

See financial statement finding 13-7.

Questioned Costs:

none

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part IV- Status of Prior Year Federal Award Findings and Questioned Costs

Reference Number: 12-11

Status:

See current year related finding 13-8.

Reference Number: 12-12

Status:

See current year related finding 13-9.

Reference Number: 12-13

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-04NINY-0031; B-05NINY-0049; B-06NINY-0036**

Criteria:

The Grantee shall submit to the Grant Officer a progress report every six months after the effective date of the Grant Agreement. Progress reports shall consist of (1) a narrative of work accomplished during the reporting period and (2) a completed Financial Status Report - Form 269 A.

Status:

The City of Syracuse, New York did not submit progress reports and therefore this finding is still applicable.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part IV- Status of Prior Year Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-14

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-06NINY-0036**

Criteria:

Grant funds are to be used for activities that are specified in the grant agreement.

Status:

The City of Syracuse, New York has not obtained a budget amendment and therefore this finding is still applicable.

Reference Number: 12-15

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-04NINY-0031**

Criteria:

When entities are funded on a reimbursement basis, program costs must be paid for by the entity before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement (24 CFR 85.21. Paragraph (c)).

Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request (A-102 Common Rule, §__.23; OMB Circular A-110 (2 CFR section 215.71)).

Status:

The City of Syracuse, New York does not have policies and procedures in place for this program to prevent federal funds from being advanced before the end of the funding period prior to the expenses being incurred. The City did not request an extension for the funding period deadline prior to incurring and paying expenses. This finding is still applicable.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part IV- Status of Prior Year Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-16

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-04NINY-0031; B-05NINY-0049; B-06NINY-0036**

Criteria:

A pass-through entity is responsible for *During-the-Award Monitoring* which is monitoring the use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved.

Status:

The City could not provide reasonable assurance that they performed site visits of the subrecipients in order to review programmatic records and observe operations or that they have had regular contact with the subrecipients and made appropriate inquiries concerning program activities, therefore this finding is still applicable.

Reference Number: 12-17

Status:

See current year related finding 13-12.

Reference Number: 12-18

Status:

See current year related finding 13-11.

Reference Number: 12-19

Status:

See current year related finding 13-12.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part IV- Status of Prior Year Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-20

Status:

Management has taken corrective action.

Reference Number: 12-21

Status:

Management has taken corrective action.

Reference Number: 12-22

Status:

See current year related finding 13-13.

Reference Number: 12-23

Status:

See current year related finding 13-14

Reference Number: 12-24

Status:

See current year related finding 13-15.

Reference Number: 12-25

Status:

See current year related finding 13-18.

Reference Number: 12-26

Status:

See current year related finding 13-17.

(Concluded)