

CITY OF SYRACUSE, NEW YORK
NEW YORK STATE DEPARTMENT OF
TRANSPORTATION SINGLE AUDIT REPORT

JUNE 30, 2013

CITY OF SYRACUSE, NEW YORK

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROLS
OVER STATE TRANSPORTATION ASSISTANCE EXPENDED 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

Report on Compliance

We have audited the City of Syracuse, New York's compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYSCRR) that could have a direct and material effect on the state transportation assistance programs tested for the year ended June 30, 2013. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

City of Syracuse, New York's management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to each program tested.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Syracuse, New York's state transportation assistance 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 Draft Part 43 of NYSCRR. Those standards and Draft Part 43 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 the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the City of Syracuse, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(Continued)

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

Opinion on Each State Transportation Assistance Program

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 state transportation assistance programs tested for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Draft Part 43 of NYSCRR and is described in the accompanying schedule of findings and questioned costs as item 13-2. Our opinion on each state transportation assistance program is not modified with respect to this matter.

City of Syracuse, New York's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Syracuse, New York's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 state transportation assistance programs tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for state transportation assistance programs and to test and report on internal control over compliance in accordance with Preliminary Draft Part 43 of the NYSCRR, 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.

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 state transportation assistance 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 state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-1 to be a material weakness.

(Continued)

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 state 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-2 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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.

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 Draft Part 43 of the NYSCRR. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Transportation Assistance Expended Required by Draft Part 43

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 state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYSCRR, 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

(Concluded)

CITY OF SYRACUSE, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2013

PROGRAM TITLE	CONTRACT #	REFERENCE #	EXPENDITURES
Marchiselli/Bond Match for Federal Aid Highway Program (020):			
Master Agreement	Various	Various	\$ 1,021,492
Matching Grants for the FAA Airport Improvement Program (030):			
Master Agreement	Various	Various	261,662
Consolidated Local Streets and Highway Improvement Program (CHIPS) (001-01):			
Master Agreement	Various	Various	<u>3,394,209</u>
Total State Transportation Assistance Expended			<u>\$ 4,677,363</u>

See Notes to Schedule of State Transportation Assistance Expended

CITY OF SYRACUSE, NEW YORK
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2013

1. **General**

The accompanying Schedule of State Transportation Assistance Expended presents the activity of all financial assistance programs provided by the New York State Department of Transportation and administered by the City of Syracuse, New York.

2. **Basis of Accounting**

The accompanying Schedule of State Transportation Assistance Expended is presented using the accrual basis of accounting for the FAA program and the modified accrual basis of accounting for the Highway Programs. The amounts reported as expenditures of State Assistance were obtained from the accounting records utilized to record activity for the applicable programs and periods.

3. **Matching Costs**

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

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

Part I. Summary of Audit Results:

Internal control over state transportation assistance expended:

- A material weakness was identified as item 13-1.
- A significant deficiency was identified as item 13-2.

Type of auditor's report issued on compliance for programs tested:

- Unmodified

Identification of State Transportation Assistance Programs Tested:

- Marchiselli/Bond Match for Federal Aid Highway Projects (020)
- Matching Grants for the FAA Airport Improvement Program (030)
- Consolidated Local Streets and Highway Improvement Program (CHIPS) (001-01)

Part II. State Assistance Findings and Questioned Costs

Reference Number: 13-1

Marchiselli/Bond Match for Federal Aid Highway Projects (020)

Matching Grants for the FAA Airport Improvement Program (030)

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:

Grant receivables are not recorded in the accounting system until a request for reimbursement is submitted. The schedule of state transportation assistance expended may be misstated when transactions are not reported in the appropriate period. The schedule of state transportation assistance expended should reflect the allowable portion of the current year expenditure that is recognized in the current year financial statements regardless of when the request for reimbursement is submitted.

(Continued)

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

Part II. State Assistance Findings and Questioned Costs (Cont'd)

Reference Number: 13-1 (Cont'd)

Effect:

The amounts reported in the schedule of state transportation assistance expended is a result of the accounting records, therefore closing entries and audit adjustments also affect audit requirements.

Recommendation:

The amounts reported in the schedule of state transportation assistance expended should be representative of when a grant-related expenditure is incurred and recognized in the financial statements. Transactions should be recorded timely in the accounting system and all related reconciliations prepared and reviewed.

Response:

Great care is taken to ensure expenditures are recognized when they are incurred. There is review of all expenditures prior to payment. Occasionally, the processing of expenditures is delayed if the expenditures have been questioned and are subject to subsequent review to ensure only those expenditures that are properly approved are recorded and paid.

Questioned Costs:

None

Reference Number: 13-2

Matching Grants for the FAA Airport Improvement Program (030)

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).

(Continued)

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

Part II. State Assistance Findings and Questioned Costs (Cont'd)

Reference Number: 13-2 (Cont'd)

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:

Noncompliance related to the Davis-Bacon Act was noted.

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 the New York State Department of Transportation 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

Part III. Status of Prior Year State Assistance Findings and Questioned Costs

Reference Number: 12-1

Status: See current year related finding 13-1.

(Concluded)