



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

**CASH AUDIT OF THE
OFFICE OF THE CITY CLERK**

**PHILIP J LATESSA
SYRACUSE CITY AUDITOR**

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

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

Members of the Common Council
City of Syracuse, New York

John P. Copanas, City Clerk,
Office of the City Clerk,
City of Syracuse, New York

This report presents the results of our cash audit of the Office of the City Clerk as of Sept. 13, 2004.

We conducted our examination in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under examination.

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

Philip J. LaTessa
City Auditor

December 30, 2004

**City of Syracuse
Department of Audit
December 30, 2004**

Cash Audit of the Office of the City Clerk

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

Members of the Common Council
City of Syracuse, New York

John P. Copanas, City Clerk
City of Syracuse, New York

Introduction:

As authorized by Section 5-503 of the City of Syracuse Charter, an examination by the Auditor in matters of moneys in possession of the city shall be substantially continuous. An unannounced cash audit of the City Clerk's Office was conducted on September 13, 2004. The examination was administered in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as circulated by the Institute of Internal Auditors.

These standards necessitate that the audit is planned and performed to attain a reasonable foundation for the judgments and conclusions regarding the function under examination. This review also included evaluations of applicable internal controls and compliance with requirements of law and regulations when necessary to satisfy audit objectives.

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

This report is intended solely for the information of the Mayor, the Common Council and the Office of the City Clerk of the City of Syracuse, New York yet it is understood to be a matter of public record and its distribution is not limited. Further information regarding this audit is available at the City of Syracuse's Audit Department upon request. The

Audit Department would like to thank the Office of the City Clerk personnel who assisted and cooperated with us during our audit.

Objectives:

1. Determine if cash is adequately safeguarded and accounted for
2. Confirm that the prior day's receipts are properly and timely deposited
3. Gain a general understanding of the operation to support future risk analysis

Methodology

Our examination entailed a physical count on September 13, 2004, of the balances as of September 10, 2004, (Friday) for the cash retained in the safe for the current day's business (each of the two cash registers starts the day with an imprested account balance of \$100.00) and the cash and checks in the safe from the transactions occurring on September 10th. We then compared those balances to daily cash reconciliations prepared by the staff of the City Clerk's Office as part of the regular bank deposits. We also interviewed City Clerk's Office personnel responsible for daily cash drawer and management with regard to daily cash handling procedures. We documented cash handling procedures disclosed during our interviews. Our examination included testing cash on hand only and did not entail the examination of cash in any other department of the City of Syracuse other than the Office of the City Clerk.

The scope of the audit was expanded to include a finding reported in the management letter for the City's Financial Statements for June 30, 2003 – the finding reported the continuation of a recurring item – the practice of new bank account(s) being opened without the Bureau of Accounts or the Department of Finance being informed. These accounts are not recorded on the City's books and records.

Findings

Finding 1: The amount retained by the Clerk's Office for the imprested account balance does not reconcile with the cash balance information on the City's ledger.

Recommendation : As noted in the scope, the Department of Audit was told and shown that a total of \$200.00 was retained in the safe over night so each of the two cash registers start the day with \$100.00 in cash. However, the Department of Audit became aware that the Finance Department's monthly trial balances for cash accounts indicate that the City Clerk's Office retains \$250.00 as petty cash. The discrepancy in these amounts should be reviewed and corrected between the City Clerk's staff and the Department of Finance to correct a prior error in recording the change made to the amount of cash held in the City Clerk's Office and to correct the ledger for accuracy.

Finding 2: City authorizations for opening bank accounts are lacking.

In the course of performing the audit, it was noted that the management letter for the external financial audit of the City of Syracuse for June 30, 2003 reported on several recurring items for which the City has not developed a strategy to address. Included in the recurring items was the finding that over several years, bank accounts were opened and neither the Bureau of Accounts nor the Department of Finance was aware of the account's existence. According to the audit, "These accounts are not recorded on the City's books and records."

The City Charter stipulates in Section 5-801 that the Department of Finance, headed by the Commissioner of Finance, is to maintain the City's bank accounts and that the particular official that is responsible in determining the City's financial institutions is the Commissioner of Finance. The Commissioner, with the approval of the Mayor, designates the banks and trust companies to be used as City depositories as prescribed by law. The external auditors' finding indicated that the Commissioner had not been involved in establishing various accounts.

The Department of Audit confirmed that the City Clerk's Office's opening of bank accounts were included in the recurring items mentioned in the management letter from the external auditors. Over a number of years, the City Clerk's Office has opened four bank accounts at Key Bank for marriage licenses revenues, dog licenses revenues, Department of Conservation revenues and miscellaneous revenues.

Further discussions with the auditors provided historical information that the documentation of proper authorization for opening the accounts in question had failed to be provided by the City of Syracuse for the external auditors leaving the issue unresolved in the form of recurring audit findings. Due to some complications related to the health of the external auditor, obtaining relevant information took longer than would normally been the case.

Management's Response:

The Department of Audit requested the documentation that confirmed that these accounts had proper authorization. The Syracuse City Clerk indicated that when he assumed his current position as Clerk, the accounts were handled in this manner.

The Auditor requested a letter from the Corporation Counsel and after a somewhat extended period, the Department of Audit was given a written response from the City's law department supporting the explanation of the City Clerk that the accounts in question are not "City of Syracuse" accounts and therefore, are not under the jurisdiction of nor need to be part of the reporting for the City of Syracuse. It is the determination of the Corporation Counsel that the City Clerk, when collecting fees for the various licenses issued pursuant to New York State laws, is required and authorized to keep such funds in separate accounts which are essentially the responsibility of the City Clerk, and such

monies are “not City funds, which would be under the responsibility of the Commissioner of Finance”.

The Auditor then contacted the Office of the State Comptroller to request confirmation from that state agency that the State of New York concurs with the City’s legal office that the accounts in question are not the responsibility of the city and are either viewed by the state as state accounts or are accepted as the responsibility of the City Clerk. Of central concern to the Department of Audit were the issues of internal control of these bank accounts and the identification of the party with the final responsibility for the accounts.

It was the opinion of the personnel contacted in the Syracuse Office of the State Comptroller that the presentation of the situation in the City of Syracuse paralleled the way clerks in smaller municipalities (towns and villages) account for similar bank accounts set up there under the same provisions of state law. The state recognizes the clerks in the smaller towns and villages as the officials who have the responsibility for managing and monitoring the accounts they set up so that all state laws pertaining to such funds are satisfied, and would likewise see the City Clerk for the City of Syracuse as having a similar role of responsibility. *There was recognition by the Comptroller’s Office that the uniqueness of this situation did pose some challenges related to insuring a desirable and needed level of internal control. One recommendation voiced was a semi-regular auditing of the bank accounts opened by the City Clerk by the Department of Audit.*

The external auditors were provided with a copy of the Corporation Counsel’s written determination related to the City Clerk’s bank accounts and a verbal summary of the information received from the Office of the State Comptroller.

Recommendation: The Department of Audit will provide the external auditor with a copy of the entire findings so that the information pertaining to the issue of responsibility for the bank accounts opened by the City Clerk can be reviewed for external audit purposes to consider removing this finding from the Audited Financial Report.

In general, in order to remove any findings from continuing into future audits, the City administration should provide the external auditors with copies of any justification, applicable laws and information requested by them as is necessary. *This action will reduce recurring audit findings, allowing the reviews of the financial statements done by rating agencies to reflect a responsive management style rather than a non-responsive attitude.*

While it is clear that the majority of the accounts were established prior to the current City Clerk’s tenure, should the Clerk’s Office need to establish any additional accounts in the future, it is recommended that the Clerk communicate setting up such accounts to the Commissioner of Finance, not because it is required by the Charter or some other applicable law, but as a courtesy and to allow the Finance Department to communicate the details associated with the new accounts to the external auditors in a timely manner which in turn would hopefully prevent future findings from unnecessarily being reported.

Conclusion

With reasonable assurance, the Department of Audit determined that the cash on hand in the registers and the prior day's receipts were adequately accounted for at the Office of the City Clerk. The cash amounts examined reconciled to the procedures referenced by staff during the audit and those receipts from the prior day(s) activities were properly safeguarded before deposit.

Philip J. LaTessa
Syracuse City Auditor
City of Syracuse
December 30, 2004