

**City of Syracuse
Department of Audit
Cash Audit**

**REPORT OF THE CITY AUDITOR
PHILIP LATESSA
CITY AUDITOR**

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

 Members of the Common Council
 City of Syracuse, New York

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

Introduction:

As authorized by 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 Bureau of Treasury, Department of Finance was conducted on December 2, 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 Department of Finance of the City of Syracuse, New York yet it is understood to be a matter of public record and its distribution is not limited. Further information regarding this audit is available at the City of Syracuse's Audit Department upon request. The Audit Department would like to thank the Department of Finance personnel who assisted and cooperated with us during our audit.

Objectives:

The objective of the audit was to confirm that the cash on hand and prior day's receipts were adequately safeguarded and accounted for. The Audit Department also determined that the prior day's receipts were properly and timely deposited. Finally, a fraud risk assessment was performed to determine if there are sufficient protections against theft of monies and services.

Scope:

The scope of the examination entailed reviewing the Bureau of Treasury's cash on hand at the start of the business day as of December 2, 2004 (each register in operation starts the day with \$200.00 in cash) as well as the receipts for December 1, 2004. The processes related to the handling of cash were analyzed based on the audit objectives.

Methodology:

The Department of Audit made an unannounced visit to the Bureau of Treasury, Department of Finance on Thursday, December 2, 2004 at 7:30 am and met with the 1st Deputy Commissioner of Finance. The Department of Audit gathered the written procedures for the department as well as reviewed specific procedures to close out cash drawers. A reconciliation of cash registers in presence of custodians was conducted to record all cash on the Cash Count Detail Sheet, determine that any checks on site are both current and appropriate and to request the Custodian recount the funds and sign a receipt for return of intact funds. The Department of Audit requested the prior day's cash out records and determined that daily cash reconciliation reports were being done a timely basis.

Lastly, the cash retained in the two treasury vaults was recorded on Cash Count Detail Sheets to verify that the \$3,500.00 detailed on the ledger as "cash in vaults" was in the possession of the Bureau of Treasury between the moneys in the vaults and in the registers' starting cash. The Department of Audit found the cash drawers balanced to the amount anticipated based on the description of bureau procedures.

The risk assessment aspect of the audit included conferring with management to ascertain the quality of systems used to prevent fraud and to establish the level of security in place for the substantial amount of monies regularly handled by the Bureau of Treasury

Findings and Recommendations:

Finding 1: Cash and Checks deposited at different Depository Institutions

The Department of Audit discovered that the Bureau of Treasury, Department of Finance makes deposits to different institutions based on the type of currency. Cash is deposited with Key Bank while checks are deposited with JP Morgan Chase. The origins of this practice go back to the period when Key Bank, which at that time handled both the Finance Department's over-the-counter collections and lock box operation, lost the city's business for the lock box portion because of operational difficulties in accounting for payments made by checks via the lock box. Initially JP Morgan Chase stepped in and assisted the city with the establishing of lock box services on a temporary basis.

Subsequently, in January 2003, the Commissioner of Finance issued a Request for Proposal for lock box services and over-the-counter tax and water billing receipts with the intention of awarding a two-year contract, starting in July 2003, based on the terms of the RFP. JP Morgan Chase provided the proposal that was determined to be the best for the city's needs. Chase's proposal, which included the best rates for the types and number of transactions specified, was made with the limitation that Chase would only handle the checks received and not cash. Couriers employed by JP Morgan Chase would pick up the checks daily and transport them to Chase's processing center located locally. However, the fact that these couriers were not bonded contributed to Chase's ability to provide the best pricing for the service.

The Commissioner of Finance believes the splitting of the deposits does not affect departmental efficiency and allowed him to determine that the rates canvassed by the city from Chase as the most favorable. When the Commissioner was ready to get the approval of the Common Council for the contract

with Chase, he was informed by the Corporation Counsel's Office that he already was empowered under existing law to select the banking institution to handle the lock box services. The Commissioner chose JP Morgan Chase to handle the lock box services and the over-the-counter payments made by check. Cash would continue to be picked up from City Hall by a bonded courier from Key Bank on an as needed basis.

Recommendation

The Department of Audit encourages the Commissioner of Finance to solicit quotes for the lock box and over-the counter checks processing from the banks currently operating in the Syracuse vicinity. The recommended solicitation would be done between the early part of 2005 and July 2005 which is when the Commissioner would have had to issue a new Request for Proposal under the prior belief that an RFP and a contract were required. Changes in the banking field and the addition of new banks to the area may provide competitive pricing for the services noted above.

Conclusion

With reasonable assurance, the Department of Audit determined that on December 2, 2004 the cash on hand and prior day's receipts were adequately safeguarded and accounted for at the Bureau of Treasury, Department of Finance. The Department of Audit also determined the receipts were properly and timely deposited in appropriate depository institutions. The Department of Audit found that the Finance Department has worked to ensure that safeguards have been put in place and that the written procedures used in daily operations are an effective part of an ongoing effort to limit the possibility of fraud.

Philip J. LaTessa
Syracuse City Auditor
City of Syracuse
December 20, 2004