

City of Syracuse
Department of Audit
June 30, 2005

Introduction

This report represents the results of our examination of the City of Syracuse Investment Policy for the fiscal year ended June 30, 2005.

We conducted our examination in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Standards for the Professional Practice of Internal Auditing*, as circulated by the Institute of Internal Auditors. Those standards require that we plan and perform the examination to afford a reasonable basis for our conclusions regarding the organization, program, activity or function under examination. An examination includes assessing and analyzing compliance with applicable internal controls, policies and procedures, laws and regulations when necessary to satisfy the examination objectives. The management of the City of Syracuse, New York is responsible for establishing, maintaining and complying with the internal control structure, policies and procedures, and compliance with applicable laws, regulations and contracts.

This report is intended solely for the information of the Mayor and the Common Council of the City of Syracuse, New York. However, this report is a matter of public record and its distribution is not limited.

We would like to thank all personnel who assisted and cooperated with us during the course of our examination.

Objective

Our examination included determining whether the Investment Policy of the City of Syracuse was written, reviewed, amended and adopted in final form in accordance with General Municipal Law (GML) Section 39 as set forth in guidance established by the Office of the New York State Comptroller (OSC).

Additionally, City Ordinance #104 of 1999, which amended City Ordinance #197 of 1994 relative to a cash management and Investment Policy for the City of Syracuse, requires the City Auditor to annually audit the investments of the City of Syracuse for compliance with the provisions of Investment Policy guidelines. The City Auditor found that the last audit of the Investment Policy was for the period ending June 30, 2004.

Conclusion

We found that an Investment Policy had been adopted in 1994 and had been in effect until a revised policy was adopted by the Common Council and approved by the Mayor on April 1, 1999. The amended Investment Policy altered the margin of market value of purchase securities in repurchase agreements; the original Investment Policy stipulated a margin of 5% or higher of the market value. This margin was found to be excessive to the City and was reduced to 2% or higher under the amendment. The revised margin was determined to be sufficient to minimize financial risk and continue to meet the objectives of the Policy to safeguard City funds.

Our Investment Policy review determined that the Policy met the needed requirements of GML Section 39 as set forth in guidance established by the Office of the New York State Comptroller.

Scope

Our examination entailed reading the Investment Policy, comparing it to the guidelines and interviewing individuals who have responsibility for maintenance of the policy.

Finding: Common Council Has Not Readopted an Investment Policy Since 1999

General Municipal Law Section 39 requires that the Investment Policy be reviewed annually, and the OSC recommends that the Policy be readopted at the organizational meeting of each new legislative body. In the case of the City of Syracuse's legislative body, the Common Council, this would mean that the Policy would be readopted, with or without changes, every two years. New York State Government Finance Officers' Association's best practices recommend that the governing body (Common Council for the City of Syracuse) readopt the Policy annually.

The Common Council has given the responsibility for annual review of the Investment Policy to the Commissioner of Finance. The Commissioner of Finance has reviewed the Investment Policy annually as directed. The current City of Syracuse Investment Policy also requires the Commissioner of Finance to "prepare and submit to the Common Council recommendations for change, if any, in these Investment Guidelines" within 120 days of the end of the fiscal year.

While performing the Investment Policy Audit for the period ending June 30, 2004, we interviewed the Commissioner of Finance and the Chairperson of the Common Council's Finance Committee and found that the Common Council had not discussed the Investment Policy since its amending in 1999. Based on that finding, the completed audit, which was released on September 28, 2004, included the suggestion that, as ongoing practice, the Commissioner of Finance annually review the Investment Policy

and report to the Common Council, within the 120 day period regardless of having recommended changes, and we additionally recommended that the Common Council use the communication from the Commissioner of Finance as the basis for scheduling a Finance Committee meeting to make a determination if any changes to the Policy are desired by the Council as a whole.

Additionally we made the suggestion that in the event that the Commissioner of Finance decided not to follow the audit recommendation to annually submit a report to the Council, that the Common Council comply with General Municipal Law and readopt the Policy at each of its organizational meetings, which, as previously noted, take place every other year.

For the period ended June 30, 2005, the Commissioner of Finance has submitted his report to the Chairperson of the Common Council Finance Committee. The communication, dated October 12, 2005, noted that “no recommendations for changes” are included at this time and that “Therefore, the Investment Policy of the City should remain as is”.

Recommendations

- 1.) The Finance Committee of the Common Council should use the October 12th communication from the Commissioner of Finance to schedule a meeting as soon as possible to review the City’s Investment Policy for fiscal 2005. Subsequently, the Common Council should readopt the Investment Policy with or without changes.
- 2). We recommend that the Commissioner of Finance and the Common Council should continue with the annual review process that has begun with the submitted October 12th correspondence and the specific actions noted in #1 above. This will ensure that all Councilors will have an awareness and understanding of the Policy going forward with future Common Council representation being subject to change.

Philip J. LaTessa
Syracuse City Auditor
City of Syracuse
October 18, 2005