



**Philip J. LaTessa**  
**City Auditor**

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## **License Function Review**

**Interim Report: April 1, 2005 through June 31, 2005**

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## **Introduction:**

As authorized by Article 5, Section 5-508 of the City of Syracuse Charter, an examination of the Department of Finance's receipts and disbursements relating to licenses for the period April 1, 2005, through June 30, 2005, was conducted. The Charter necessitates the review be conducted monthly and the Audit Department has elected to issue the reports on a quarterly basis. 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 require 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.

## **Scope:**

The scope of the audit entailed reviewing all license related receipts and disbursements for the Bureau of Treasury, Department of Finance, for the period April 1, 2005, through June 30, 2005.

## **Objective:**

The objectives of the audit were to determine with reasonable assurance that the financial data was accurate and properly recorded and that adequate operational and control procedures existed for the license function at the Bureau of Treasury, Department of Finance.

## **Methodology:**

To reach this assurance, the Audit Department selected five days per month to test the Cash Reports for mathematical accuracy. The types of license granted on the cash reports and the fees collected were also verified to appropriate rules and regulations. The receipts were then traced to the corresponding general ledger accounts and bank accounts to ensure proper recording. All related vouchers during the audit period were reviewed for appropriateness and accuracy. The monthly detailed databases, which itemize the receipts by date and category, and the vouchers were also traced to the Monthly Balancing Sheets and general ledger.

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## **Findings and Recommendations:**

### **Finding 1: License Application Inaccuracies**

When comparing the regulated licenses and fees to the actual licenses and fees posted by the Bureau of Treasury, an alarming amount of inadequacies was discovered. Out of forty six licenses offered, twelve did not have applications available and fifteen had misstatements. Also, the Bureau of Treasury posted four applications for licenses that did not currently exist. Please refer to Attachment 1 for a schedule of this investigation. This is noted as a finding since these flaws appear to have caused further mistakes in the license process.

### **Recommendation 1:**

It is the duty of the Finance Department to ensure information concerning the licenses required for doing business within the City is accurate and readily available for the public. The City Auditor advises the Bureau of Treasury to immediately correct the license applications and fees posted by the bureau. Attached is an up to date list of the licenses along with the fees that are under the responsibility of the Department of Finance (Attachment 2). The accuracy of the list was confirmed by the Law Department, City of Syracuse.

### **Finding 2: Incorrect License Granted/Fees Improperly Charged**

Several errors were uncovered in the random sample of cash reports chosen to test for accuracy and appropriateness. Out of ninety items tested, four (4%) transactions were found to have errors. These errors can be categorized into two groups 1) minor miscalculations and 2) incorrect fees due to misapplications.

#### **Minor Miscalculations**

One of the errors was from miscalculations on the cash report. The errors of this nature ranged from minor mathematical mistakes, failure to charge the first time fee for a taxicab/airport bus driver's license and failure to charge for the proper number of locations or devices.

#### **Misapplications**

Three of the errors stemmed from incorrect licenses being granted thus resulting in incorrect fees. The licenses concerned were the entertainment/floor show in a restaurant/hotel dining room, dance floor in a restaurant/hotel dining room, food vendor, concert, dance and circus licenses. The specifics are noted below.

Due to the amount of errors uncovered in the test sample, further research was conducted into the general licenses for the entire audit period. Numerous errors were uncovered relating to certificate of use, taxicab/airport bus driver's license, dancing in a restaurant or hotel dining room, entertainment or floor show in a restaurant or hotel dining room, concert, indoor circuses, dance (one night) and food vendor licenses. Altogether, the net effect of the general license errors uncovered is an \$85.00 refund owed to applicants by the City for the period. The Department of Finance has been provided a detail of said errors.

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**Recommendation 2:**

It is the duty of the Finance Department to properly administer and enforce the issuance of licenses in the City as set forth in the charter. Immediate action is needed to ensure the proper licenses and corresponding fees are charged henceforth. Along with correcting the license applications available, the City of Syracuse should also make certain the staff responsible for processing, supervising and enforcing the licenses is always well informed on the regulations governing the function.

**Finding 3: Lacking Internal Controls for Daily Receipts**

The Audit Department was unable to ensure the list of Cash Reports was complete due to the lack of controls. The absence of pre-numbered sequential cash reports creates a risk for fraud in the revenue cycle.

**Recommendation 3:**

It is the duty of the Department of Finance to ensure all monies received are controlled properly. The City Auditor advises the department to pre-number the Cash Reports to improve the controls for the revenue cycle. If the City's printing service is unable to pre-number such reports, there are stamps available at office supply stores for this purpose.

A reconciliation of utilized Cash Reports at month end should be a duty segregated from the clerk responsible for completing the Cash Report at the time of transaction to provide stronger checks and balances.

**Conclusion:**

The Department of Audit uncovered a multitude of errors regarding the types of general licenses granted and corresponding fees collected for the period April 1, 2005, through June 30, 2005. Excluding the errors noted above, the Department of Audit determined with reasonable assurance that the license related receipts from April 1, 2005, through June 30, 2005, were free from material misstatement. Please refer to Attachment 3 for a year to date schedule of said receipts.

**Auditor's Note:**

1) In February 2005, Bureau of Accounts created account 01.0.2548 to report the certificate of use permit receipts. Previously, these receipts were accounted for in account 01.0.2545. Journal entries were made on February 28, 2005, and June 30, 2005, to transfer the receipts collected for the certificate of use permits into the new account. In relation to the period January 1, 2005, through March 31, 2005, \$1,400 was transferred from the general license account, 01.0.2545, to the certificate of use account, 01.0.2548.

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