



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

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**Investment Policy Review**  
**For the City of Syracuse**  
**Fiscal Year End June 30, 2007**

City of Syracuse  
Department of Audit  
June 30, 2007

**Introduction**

This report represents the results of our examination of the City of Syracuse Investment Policy for the fiscal year ended June 30, 2007.

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 Number 104 of 1999, which amended City Ordinance Number 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 performed the last audit of the Investment Policy for the period ending June 30, 2006.

**Scope**

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

### **Conclusion**

The objectives of the Investment Policy of the City of Syracuse are to minimize risk and to ensure that investments mature when the cash is required to finance operations. We found that an Investment Policy had been adopted in 1994 and had remained in effect in the original form 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 Investment Policy to safeguard City funds.

In September, 2006, the Commissioner of Finance requested the Common Council to enact legislation that would add to the alternatives available to the City in considering investment options. The revision of the Investment Policy of the City of Syracuse recommended by the Commissioner of Finance was incorporated into the Policy with the adoption of legislation by the Syracuse Common Council which amended the section titled "Collateralizing of Deposits".

Ordinance Number 518 of 2006 amended the Investment Policy with language authorizing, in addition to a pledge of "specific eligible securities" as already provided, a pledge of a pro rata portion of a "pool of eligible securities". This amendment of the City of Syracuse Investment Policy was enacted after the Office of the State Comptroller provided new model agreements that could serve as examples to local governments. On October 10, 2006, the Common Council approved Ordinance Number 518 which allows for the utilization of New York State approved pooling method for collateralizing deposits and investments.

On November 20, 2006, the Common Council adopted Ordinance Number 590 of 2006; this action provided for the formal affirmation and adoption of the Investment Policy for the City of Syracuse, as last amended by Ordinance Number 518 of 2006.

Our Investment Policy examination, which included reviewing the most recent amendments of the Policy, determined that the Policy met the requirements of GML Section 39, as amended, as set forth in guidance established by the Office of the New York State Comptroller.

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 Investment Policy would be re-adopted, with or without changes, every two years.

Having been formally adopted with the most current changes incorporated in November 2007, the Investment Policy for the City of Syracuse, for the fiscal period ending June 30, 2006 was in compliance with General Municipal Law and the recommendations of the Office of the New York State Comptroller.

In the City of Syracuse, the Common Council has approved an Investment Policy that places the responsibility for the annual review of the Investment Policy required by General Municipal Law on the Commissioner of Finance.

**Finding: Commissioner of Finance Has Not Complied With The Investment Policy Of The City By Submitting To The Common Council Recommendations For The Period Ending June 30, 2007 :**

The City of Syracuse Investment Policy requires the Commissioner of Finance to "prepare and submit to the Common Council recommendations for changes, if any, in these Investment Guidelines" within 120 days of the end of the fiscal year. This reporting requirement has been included in the policy since it was adopted in 1994. As of the date of our review, October 21, 2007, the Commissioner of Finance had not undertaken or completed a review of the Investment Policy and communicated his recommendations as required by both General Municipal Law and the City of Syracuse Investment Policy.

**Recommendation:**

On occasion in the past, the annual communication from the Commissioner of Finance to the Chairperson of the Common Council Finance Committee was transmitted at a date later than "within 120 days of the end of the fiscal year" but within a timely period. This attention to the annual reporting to the governing body evidenced the importance of having Common Councilors who are conversant with their fiduciary responsibilities. A good general understanding of the broader role of the Common Council in relation to the City's investment policies is fundamental to sound governmental oversight.

The Auditor recommends that the Commissioner of Finance communicate with the Chairperson of the Common Council Finance Committee at the earliest opportunity regarding any recommendations for changes to the Investment Policy of the City. As in the past, if no changes are being recommended, the Commissioner can communicate his position that the Investment Policy should remain as is.

**Auditor's Note:**

The New York State Government Finance Officers' Association's (GFOA) best practice recommendation is that the governing body (Common Council for the City of Syracuse) re-adopt the entity's Investment Policy annually, and the Office of the City Auditor supports this practice and encourages the Common Council to consider formal annual re-adoption going forward.

In prior audits of the City of Syracuse Investment Policy, we recommended that the Common Council use the annual communication from the Commissioner of Finance as the basis for scheduling a Finance Committee meeting and thereafter scheduling an annual re-adoption of the Investment Policy. We continue to stand by this recommendation.

These meetings could be further used as a vehicle for the Commissioner of Finance to familiarize each of the Common Councilors in attendance with the procedures, restrictions and practical considerations placed on the City as it invests its cash assets.

Philip J. LaTessa  
Syracuse City Auditor  
City of Syracuse  
October 21, 2007