

CITY OF SYRACUSE, NEW YORK
NEW YORK STATE DEPARTMENT OF
TRANSPORTATION SINGLE AUDIT REPORT

JUNE 30, 2011

CITY OF SYRACUSE, NEW YORK

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROLS
OVER STATE TRANSPORTATION ASSISTANCE EXPENDED BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To The Honorable Mayor, Stephanie Miner and
the Members of the Common Council
City of Syracuse, New York

COMPLIANCE

We have audited the compliance of the City of Syracuse, New York with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYSCRR) that are applicable to each state transportation assistance program tested for the year ended June 30, 2011. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of City of Syracuse, New York's management. Our responsibility is to express an opinion on City of Syracuse, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYSCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the City of Syracuse, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Syracuse, New York's compliance with those requirements.

In our opinion, the City of Syracuse, New York complied in all material respects with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended June 30, 2011.

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INTERNAL CONTROL OVER COMPLIANCE

The management of City of Syracuse, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs. In planning and performing our audit, we considered the City of Syracuse, New York's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Preliminary Draft Part 43 of the NYSCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in the internal control over compliance that we consider to be a significant deficiency and a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of control deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-2 to be a significant deficiency.

The City of Syracuse, New York's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Syracuse, New York's responses and, accordingly, we express no opinion on the responses.

SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED

We have audited the basic financial statements of the City of Syracuse, New York as of and for the year ended June 30, 2011, and have issued our report thereon dated February 23, 2012, which contained unqualified opinions on the financial statement. Our audit was performed for the purpose of forming opinions on the City of Syracuse, New York's basic financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYSCRR, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been

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subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Mayor, Members of the Common Council, other management and the New York State Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

February 23, 2012
Syracuse, New York

CITY OF SYRACUSE, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011

PROGRAM TITLE	CONTRACT #	REFERENCE #	EXPENDITURES
Marchiselli/Bond Match for Federal Aid Highway Program (020):			
Master Agreement	Various	Various	\$ 178,736
Matching Grants for the FAA Airport Improvement Program (030):			
Master Agreement	Various	Various	161,831
Consolidated Local Streets and Highway Improvement Program (CHIPS) (001-01):			
Master Agreement	Various	Various	<u>802,623</u>
Total State Transportation Assistance Expended			<u>\$ 1,143,190</u>

See Notes to Schedule of State Transportation Assistance Expended

CITY OF SYRACUSE, NEW YORK
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011

1. **General**

The accompanying Schedule of State Transportation Assistance Expended of the City of Syracuse, New York presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

2. **Basis of Accounting**

The accompanying Schedule of State Transportation Assistance Expended is presented using the accrual basis of accounting for the FAA program and the modified accrual basis of accounting for the Highway Programs. The amounts reported as expenditures of State Assistance were obtained from the accounting records utilized to record activity for the applicable programs and periods.

3. **Matching Costs**

Matching costs (the City's share of certain program costs) are not included in the reported expenditures.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR
STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011**

Part I. Summary of Audit Results:

Internal control over state transportation assistance expended:

- A material weakness was identified as item 11-1. A significant deficiency was identified as item 11-2.

Type of auditor's report issued on compliance for programs tested:

- Unqualified

Identification of State Transportation Assistance Programs Tested:

- Marchiselli/Bond Match for Federal Aid Highway Projects (020)
- Matching Grants for the FAA Airport Improvement Program (030)
- Consolidated Local Streets and Highway Improvement Program (CHIPS) (001-01)

Part II. State Assistance Findings and Questioned Costs

Reference Number: 11-1

Matching Grants for the FAA Airport Improvement Program (030)

Criteria:

Internal controls over financial reporting should be properly designed and implemented.

Cause/Condition:

The accounting department for the Aviation Fund is relatively small. There is a lack of segregation of duties over the cash function. Cash receipts are not recorded timely in the accounting system. Check logs maintained are not reconciled to deposit slips, accounts receivable detail or the general ledger. Grant receivables are not recorded in the accounting system until a request for reimbursement is submitted. In addition, the Aviation Department lacks a formal policy relative to the preparation and review of journal entries.

Effect:

During the fiscal year, the accounting system may not accurately reflect the Fund's financial position. The potential exists for misappropriation of funds.

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**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR
STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011**

Part II. State Assistance Findings and Questioned Costs (Cont'd)

Reference Number: 11-1 (Cont'd)

Recommendation:

Grant receivables and revenue should be recorded when a grant-related expenditure is incurred. Cash receipts should be recorded timely in the accounting system. Policies and procedures should be enhanced to address the segregation of duties issues and preparation and review of journal entries.

Response:

The Aviation Department has taken action to correct the above items. All ledger entries will be reviewed and approved by appropriate personnel other than the preparer. Deposits will be reconciled and recorded in a timely fashion. Complete information will be supplied with payment requests to ensure timely recording of any receivables associated with the expenses.

Questioned Costs:

None

Reference Number: 11-2

**Marchiselli/Bond Match for Federal Highway Program (020)
Consolidated Local Streets and Highway Improvement Program (CHIPS) (001-01)**

Criteria:

Policies and procedures should be developed to ensure reimbursement request forms submitted for grant reimbursement are properly prepared and reviewed.

Cause/Condition:

There is not proper review or supervision over the reimbursement requests for the CHIPS Program or the Highway Planning and Construction Grants Program. Errors in the reimbursement requests could go undetected resulting in reporting errors.

Effect:

Multiple calculation errors were discovered in the reimbursement requests for the CHIPS Program. These errors were not material to the program.

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**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR
STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011**

Part II. State Assistance Findings and Questioned Costs (Cont'd)

Reference Number: 11-2 (Cont'd)

Recommendation:

Policies and procedures should be developed to ensure reimbursement requests are prepared accurately and reviewed and approved by a supervisor who possesses the appropriate knowledge and skill to oversee the Highway Programs.

Response:

We have determined that the Department of Public Works (DPW) Administrative Officer will review all reimbursement applications before they are sent to the New York State Department of Transportation (NYS DOT). We have, and will remain, in close contact with the NYS DOT to be sure we continue to follow proper procedures to prevent reporting errors or denial of reimbursement requests. NYS DOT was told of this finding and appreciated management communicating with them. They have provided guidance on correcting the errors.

Questioned Costs:

None

Part III. Status of Prior Year State Assistance Findings and Questioned Costs

Reference Number: 10-1

Status: See current year related finding 11-1.